

British Smaller Companies VCT plc

Annual Financial Report Announcement

for the year ended 31 March 2022

British Smaller Companies VCT plc (the “Company”) today announces its audited results for the year ended 31 March 2022.

HIGHLIGHTS

- 24.9 per cent return on opening net assets.
- Total dividends paid during the year ended 31 March 2022 of 9.0p per share (2021: 4.0p per share).
- Total Return increased by 18.9p to 252.1p per share.
- Net asset value at 31 March 2022 of 85.7p per share (2021: 75.8p per share).
- Total cumulative dividends paid since inception of 166.4p per share at 31 March 2022 (2021: 157.4p per share).
- Realisations of investments generated total proceeds of £11.8 million in the year, a gain of £5.1 million over the opening carrying value and £8.0 million over cost.
- Two new investments and seven follow-on investments totalling £9.8 million completed during the year.
- £33.2 million raised in fully subscribed September 2021 offer.
- The Board has previously declared an interim dividend of 2.0p per share in respect of the year ending 31 March 2023. The dividend will be paid on 12 July 2022 to shareholders on the register on 10 June 2022.

Chairman’s Statement

I am pleased to present the Company’s Annual Report and Accounts for the year ended 31 March 2022.

The UK economy has encountered significant headwinds, with rising inflation affecting the cost of living, interest rates on an upward trajectory and economic turmoil and uncertainty caused by Russia’s invasion of Ukraine. Against this backdrop, it is pleasing to see the resilience of the Company’s portfolio. The trend towards technology-enabled solutions which was accelerated by the pandemic has continued and the business to business component of the portfolio continues to benefit from this dynamic.

This has been a year of strong performance for the Company, which has generated an increase of 18.9 pence per share, equivalent to 24.9 per cent on the opening net asset value (“NAV”) of 75.8 pence.

It was pleasing to see shareholders’ continued enthusiasm for the Company’s prospects, as demonstrated by our fundraising closing at full capacity after just seven weeks.

Financial Performance

With the 18.9 pence per ordinary share increase in Total Return in the year, the Company’s overall Total Return is now 252.1 pence per ordinary share.

The year’s increase derives from the portfolio, which generated a return of £30.5 million, 41.3 per cent over its opening value, of which £5.1 million was realised and £25.4 million is unrealised. New and follow-on investments totalling £9.8 million were completed in the year.

Realisations

Realisations of investments generated total proceeds of £11.8 million, a gain of £5.1 million over the opening carrying value and £8.0 million over the original cost, equivalent to a multiple of 3.1x cost. There were two significant realisations in the year: Deep Secure in July 2021 and the partial realisation of Matillion in October 2021. Additional proceeds of £1.4 million were generated from loan repayments.

The Deep Secure exit generated capital proceeds of £6.6 million, delivering a realised gain of £5.6 million above cost, and an uplift of £2.4 million on the carrying value at the beginning of the year. Including income, the total return from this investment was £7.7 million over a 12 year holding period, producing an internal rate of return of 23 per cent and a multiple of 7.7x cost.

The Company realised 15 per cent of its investment in Matillion as part of its Series E funding round; this valued the company at \$1.5 billion, affirming its “unicorn” status. The proceeds from this partial exit were £5.0 million, which represents an uplift on the carrying value at the beginning of the year of £2.6 million, and together with previous proceeds received represents a return to date of 2.7x the total cost of the Company’s investment. The value of the Company’s residual investment in Matillion is £28.1 million. This is an outstanding outcome to date, in a company which continues to experience fast growth.

New Investments

Two new investments were made in the year, totalling £5.1 million. We continue to fund growth in existing portfolio businesses, and hence seven companies received follow-on funding in the year, totalling £4.6 million in aggregate. The new investments are:

Investment	Sector
Relative Insight	AI-based text data analytics platform
Vuealta	Business planning software and services

Financial Results

The combination of strong performance and realisations enabled the Board to pay interim dividends of 9.0 pence per ordinary share in respect of the year ended 31 March 2022, bringing the cumulative dividends paid to 31 March 2022 to 166.4 pence per ordinary share.

The movement in net asset value (“NAV”) per ordinary share and the dividends paid are set out in the table below:

	Pence per ordinary share	£000
NAV at 31 March 2021	75.8	110,360
Increase in value	17.4	25,515
Gain on disposal of investments	3.4	5,131
Gain arising from the investment portfolio	20.8	30,646
Net operating costs	(1.2)	(1,761)
Incentive fee	(0.3)	(621)
Issue/(buy-back) of new shares	(0.4)	34,009
Total Return in year	18.9	62,273
NAV before the payment of dividends	94.7	172,633
Dividends paid	(9.0)	(13,099)
NAV at 31 March 2022	85.7	159,534
Cumulative dividends paid	166.4	
Total Return:	at 31 March 2022	252.1
	at 31 March 2021	233.2

The charts on page 12 of the annual report show in greater detail the movement in Total Return and Net Asset Value over time.

The portfolio investments held at the beginning of the financial year, amounting to £73.9 million, delivered a return over the year of £30.5 million, with an additional return of £0.1 million from other investments.

The current portfolio's net valuation increased by £25.4 million. Within this there were valuation gains of £31.0 million, offset by £5.6 million of downward movements.

The composition of the portfolio comprises predominantly younger, higher growth companies which are reinvesting earnings for further growth with ultimate returns deriving almost entirely from capital gains. As a result the proportion of the Company's return reported as income continues to reduce. During the year, income from the portfolio was £0.9 million, compared to £1.0 million (excluding the exceptional £2.9 million dividend received from ACC Aviation) in the previous financial year and £1.1 million in 2020. This trend is expected to continue as the proportion of new investments continues to grow.

Annual General Meeting

The Annual General Meeting of the Company will be held at 9:30 am on 16 September 2022 at 33 St James Square, London SW1Y 4JS. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 91 of the annual report.

Dividends

Dividends paid in the year totalled 9.0 pence per ordinary share. These comprised interim dividends of 9.0 pence per ordinary share for the year ended 31 March 2022. Cumulative dividends paid as at 31 March 2022 were 166.4 pence per ordinary share.

An interim dividend for the year ending 31 March 2023 of 2.0 pence per ordinary share will be paid on 12 July 2022, to shareholders on the register at 10 June 2022.

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 main advantages of the DRIS are:

- 1 the dividends remain tax free; and
- 2 any DRIS investment attracts income tax relief at the rate of 30 per cent.

For the financial year ended 31 March 2022, £3.4 million was re-invested by way of the DRIS, from overall dividend proceeds of £13.1 million.

Liquidity and Fundraising

Having previously assessed its expected cash requirements, the Company announced a new share offer on 22 September 2021, alongside British Smaller Companies VCT2 plc, with the intention of raising up to £60 million, in aggregate, which included an over-allotment facility of £20 million, in aggregate. This was fully subscribed and closed on 12 November 2021. The related allotment of 39,514,174 ordinary shares took place on 7 January 2022, following which the Company received net proceeds of £33.2 million.

At 31 March 2022, the Company's cash and other liquid reserves of £58.1 million represented 36.4 per cent of net assets.

Shareholder Relations

The electronic communications policy continues to be a success, with 82 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.

The 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.

In 2021, we again had to change our plans for the Investor Workshops, subsequently holding two webinars in conjunction with British Smaller Companies VCT2 plc, on 25 June 2021 and 9 December 2021.

We are pleased to confirm the return of an in-person Investor Workshop for 2022. This will be held jointly with British Smaller Companies VCT2 plc on 29 June 2022 at 1 Great George Street, Westminster, London SW1P 3AA. After the popularity of the webinars over the past couple of years, we will also continue providing these once per year, with the next event planned for December 2022.

Post Balance Sheet Events

Following the year end one new investment and two follow-on investments totalling £1.9 million have been completed.

Board Composition

I am retiring as Chairman at the end of this year's AGM. I am delighted to announce that I will be succeeded by Rupert Cook who has served as a director and Chair of the Investment Committee for five years.

The Board has completed a successful recruitment process and Purvi Sapre joined the Board on 6 June 2022. Purvi has over 15 years' investment experience in the UK and international markets, investing on behalf of debt, equity and impact investment funds. I am delighted to welcome her and I am confident that she will be an excellent addition to the Board.

Ukraine

During the build up to and subsequent to the recent invasion of Ukraine by Russia, we have been closely monitoring the impact of the war on our portfolio. There is minimal direct impact, which has principally been felt in a small number of cases where investee company software development teams have been based in Ukraine. From a business perspective, continuity of supply and service has been secured, although we are aware of a small number of developers who we believe are directly caught in the conflict and our thoughts are with them and all those suffering the humanitarian impact of the war.

Outlook

The current challenges for the UK economy are undoubtedly driving markets towards more defensive positions, cooling some of the valuation multiples in the fast growth sectors in which the Company invests. In this environment, the quality and robustness of the portfolio is tested but is proving generally resilient.

Following the recent fundraise, the Company expects to continue to provide further investment to the portfolio to support investee companies' growth ambitions. The cooling of markets is also expected to provide further opportunities to add growing, innovative companies to the portfolio.

As I retire from the Board at the upcoming AGM, I am pleased with the position in which I leave the Company and wish it, and my Board colleagues, well for continued success in the future.

Helen Sinclair

Chairman

Objectives and Key Policies

The Company's objective is to maximise Total Return and provide investors with a long-term tax free dividend yield whilst maintaining the Company's status as a venture capital trust.

Investment Policy

The investment strategy of the Company is to invest in UK businesses across a broad range of sectors 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.

These investments will all meet the definition of a Qualifying Investment and be primarily in unquoted UK companies. It is anticipated that the majority of these businesses will be re-investing their profits for growth and the investments will comprise mainly equity investments.

The Company seeks to build a broad portfolio of investments in early stage companies focussed on growth with the aim of spreading the maturity profiles and maximising return as well as ensuring compliance with the VCT guidelines.

Borrowing

The Company does not borrow and has no borrowing facilities, choosing to fund investments from its own resources.

Co-investment

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc (together "the VCTs") typically co-invest in investments, allocating such investments 60 per cent to the Company and 40 per cent to British Smaller Companies VCT2 plc. However, the Board of the Company has discretion as to whether or not to take up its allocation; where British Smaller Companies VCT2 plc does not take its allocation, the Board may opt to increase the Company's allocation in such opportunities.

The VCTs may invest alongside co-investment funds managed by YFM, the Manager of the VCTs. The VCTs have first choice on the initial £4.5 million of all equity investment opportunities meeting the VCT qualifying criteria. Amounts above £4.5 million are allocated two thirds to the VCTs and one third to YFM's co-investment funds.

Asset Mix

Cash which is pending investment in VCT-qualifying securities is primarily held in interest bearing instant access, short-notice bank accounts, money market funds and investment funds listed on a recognised stock exchange (including FCA authorised and regulated UCITS funds).

Remuneration Policy

The Company's policy on the remuneration of its directors, all of whom are non-executive, 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 Manager is responsible for the sourcing and screening of investment opportunities, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments. Post investment, the Manager works intensively with the businesses and management teams in which the Company is invested, monitoring progress, effecting change and, where applicable, redefining strategies with a view to maximising values through structured exit processes.

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 Manager.

The Board regularly monitors the performance of the portfolio and the investment requirements set by the relevant VCT legislation. Reports are received from the Manager regarding the trading and financial position of each investee company and senior members of the Manager 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. Monitoring reports carrying out an independent review of this compliance are received twice a year.

The Board reviews the terms of YFM Private Equity Limited's appointment as Manager on a regular basis.

YFM Private Equity Limited has performed investment advisory, management, administrative and secretarial services for the Company since its inception on 28 February 1996. The principal terms of the agreement under which these services are performed are set out in note 3 to the financial statements.

In the opinion of the directors, the continuing appointment of YFM Private Equity Limited as Manager is in the interests of the shareholders as a whole, in view of its experience in managing 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 Quoted Portfolio

The Company holds a small portfolio of listed investment funds, the purpose of which is to optimise returns from liquid assets while preserving capital value. Reporting to the Manager, 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 Return¹, 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.

1. Total Return is net of ongoing charges and other costs.

Total Return (as at 31 March)

The chart on page 12 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 an index of generalist VCTs which are members of the AIC (based on figures provided by Morningstar). 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 (as at 31 March)

The chart on page 12 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.

Shareholder Returns Excluding all Tax Reliefs

The Board considers Total Return 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	Offer price ¹	NAV at 31 March 2022	Cumulative dividends paid since fundraising	Total Return to date ²	IRR ³
	Pence	Pence	Pence	Pence	%
1996	100.0	85.7	166.4	252.1	5.3%
1997	100.0	85.7	163.4	249.1	5.4%
1998	105.0	85.7	159.7	245.4	5.2%
2005 (C share) ⁴	100.0	96.4	148.3	244.7	7.9%
2006	99.5	85.7	136.0	221.7	8.0%
2007	102.5	85.7	131.5	217.2	8.0%
2008	106.3	85.7	126.5	212.2	7.9%
2010	97.3	85.7	116.5	202.2	10.3%
2011	128.0	85.7	110.2	195.9	6.2%
2012	99.8	85.7	87.2	172.9	8.1%
2013	95.8	85.7	82.2	167.9	9.3%
2014	100.8	85.7	75.7	161.4	8.7%
2015	99.5	85.7	67.7	153.4	9.1%
2016	102.3	85.7	57.7	143.4	7.8%
2017	84.6	85.7	35.7	121.4	9.0%
2019	76.0	85.7	19.0	104.7	12.4%

Notes

- 1 *The offer price for the relevant year excluding the benefit of income tax relief available to investors at the time of the offer.*
- 2 *Total Return to date is cumulative dividends paid plus the 31 March 2022 net asset value in pence per ordinary share. This is an Alternative Performance Measure.*
- 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 2022 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.*

The IRRs shown above are based on fundraisings and offer prices during the relevant calendar year whilst the graph on page 14 of the annual report shows IRRs over specific financial periods to 31 March 2022.

Set out on page 14 of the annual report is the average annual internal rate of return (excluding all tax reliefs) over 1, 2, 3, 5 and 10 years up to 31 March 2022. The average annual internal rate of return is calculated with reference to the cumulative dividends paid plus the unaudited NAV at 31 March 2022.

Expenses

Ongoing Charges

The Ongoing Charges figure, as calculated in line with the AIC recommended methodology, is used by the Board to monitor expenses. This figure shows shareholders the costs of the Company's recurring operational expenses, expressed as a percentage of the average net asset value. Whilst based on historical information, this provides an indication of the likely level of costs that will be incurred in managing the Company in the future.

	Year to 31 March 2022 (%)	Year to 31 March 2021 (%)
Ongoing Charges figure*	2.02	2.10

** Alternative Performance Measure*

The level of ongoing charges has fallen in the year due to the increased level of net assets and the agreement with the Manager to pay a lower level of management fee of 1 per cent on surplus cash. The ratio is one of the lowest in the industry.

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

Compliance with VCT Legislative Tests

A principal risk facing the Company is the retention of its VCT qualifying status. The Board receives regular reports on compliance with the VCT legislative tests from its Manager. In addition, the Board receives formal reports from its VCT Tax Adviser (Philip Hare & Associates LLP) 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 further 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 Investments Test

At least 80 per cent by value of the Company's investments must be represented throughout the period by shares or securities comprised in Qualifying Investments of investee companies.

For shares issued in accounting periods beginning on or after 6 April 2018, at least 30 per cent of those share issues must be invested in Qualifying Investments 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 Investments 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.

Investment Limits

There is an annual limit for each investee company which provides that they may not raise more than £5 million of state aided investment (including from VCTs) in the 12 months ending on the date of each investment (£10 million for Knowledge Intensive Companies).

There is also a lifetime limit that a business may not raise more than £12 million of state aided investment (including from VCTs); the limit for Knowledge Intensive Companies is £20 million.

Maximum Single Investment Test

The value of any one investment must not, at any time in the period, represent more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and updated should there be further additions; as such, it 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 in respect of VCTs. In particular, no dividends can be paid out of cancelled share premium arising from shares allotted on or after 6 April 2014 until at least three full financial years have elapsed from the date of allotment.

Other

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.

Wherever possible, the Company self-assures that an investment is a Qualifying Investment, subject to the receipt of professional advice.

Portfolio Structure and Analysis

Portfolio Structure

Page 16 of the annual report illustrates the broad range of the portfolio, with 62 per cent of the portfolio by valuation being held for more than three years, whilst 90 per cent is held at cost or above. 21 per cent of the portfolio's value is held in financial instruments, although loans now account for only five per cent of the value.

Portfolio Analysis

Also included on page 17 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 strong performance in the year, with a return of £30.5 million on the opening value of £73.9 million.

The movements in the investment portfolio, are set out in Table A below:

Table A Investment Portfolio	Portfolio £million	Listed Investment Funds £million	Total £million
Opening fair value at 1 April 2021	73.9	4.8	78.7
Additions	9.8	0.8	10.6
Disposal proceeds*	(13.0)	(1.0)	(14.0)
Valuation movement including realised gains	30.5	0.1	30.6
Closing fair value at 31 March 2022	101.2	4.7	105.9

* excluding deferred consideration

At 31 March 2022 the portfolio was valued at £101.2 million, representing 63.4 per cent of net assets (67.0 per cent at 31 March 2021). The listed investment funds were valued at £4.7 million, representing 2.9 per cent of net assets (4.4 per cent at 31 March 2021). Cash, cash equivalents and current asset investments at 31 March 2022 of £53.4 million represented 33.5 per cent of net assets (27.3 per cent at 31 March 2021).

The Portfolio

£101.2 million	Fair value of the portfolio	(2021: £73.9 million)
23	Number of portfolio companies with a value of more than £1.0 million	(2021: 21)
£0.9 million	Income from the portfolio	(2021: £1.0 million*)
£9.8 million	Level of investment	(2021: £8.5 million)
£30.5 million	Return from portfolio	(2021: £22.2 million*)

*excluding exceptional dividend of £2.9 million received from ACC Aviation

The portfolio has performed well during the period, adding £30.5 million of value on the opening fair value of £73.9 million. The composition of investments continues to show its dynamism, with £9.8 million invested in the period and cash proceeds of £13.2 million received.

The top ten investments had a combined value of £72.0 million at 31 March 2022, 71.1 per cent of the total portfolio (65.4 per cent at 31 March 2021).

Fair value changes

Table B Gain from Investment Portfolio	£million	%
Gain in fair value from the portfolio	25.4	83
Gain on disposal over opening value from the portfolio	5.1	17
Gain arising from the portfolio	30.5	100
Gain in value of other investments	0.1	
Gain arising from the investment portfolio	30.6	

The current portfolio delivered a value gain of £25.4 million in the year. While Matillion has been a significant driver of value, it is pleasing to see the fair value increases arising across a range of companies, including established portfolio companies such as Springboard and DisplayPlan, tech-focused businesses such as Unbiased, Outpost, Force24, Elucidat and Wooshii as well as companies benefiting from the ongoing post-pandemic recovery of the retail sector, such as Tonkotsu and Frescobol. The case study on page 24 of the annual report gives more information on the investment in Springboard.

Some decreases in value have been seen; Arraco and Arcus Global have both struggled somewhat over the past 12 months, but we continue to work closely with the companies' management teams to navigate their current challenges.

A further £5.1 million of value arose from investments which were realised in the year, including the partial realisation of Matillion (£2.6 million), and Deep Secure (£2.4 million).

Other Significant Investment Movements

Investments

During the year ended 31 March 2022, the Company completed nine investments, totalling £9.7 million. This comprised two new investments of £5.1 million and seven follow-on investments of £4.6 million. The analysis of these investments is shown in Table C. The case study on page 24 of the annual report gives more information on the Company's recent investment, Relative Insight.

Table C Investments	Investments made		
	New £million	Follow-on £million	Total £million
Relative Insight	3.0	-	3.0
Vuealta	2.1	-	2.1
Wooshii	-	1.5	1.5
SharpCloud	-	1.2	1.2
Sipsynergy	-	0.9	0.9
Other follow-on investments	-	1.0	1.0
Invested in the year	5.1	4.6	9.7
Capitalised income			0.1
Total portfolio additions in the year			9.8
Other investments			0.8
Total additions in the year			10.6

Disposal of Investments

During the year to 31 March 2022, the Company received proceeds from disposals and loan repayments from the portfolio of £13.2 million, a gain of £5.1 million over the opening carrying value and £7.8 million over cost. This included the very successful realisation of Deep Secure and the partial realisation of Matillion. The Company's investments in Friska and Harris Hill were disposed of for minimal proceeds; the investments had been fully written down in previous periods.

Table D Disposal of Investments	Net proceeds from sale of investments £million	Opening value 31 March 2021 £million	Gain on opening value £million
Unquoted investments	13.0	7.9	5.1
Deferred proceeds	0.2	0.2	-
Total from portfolio	13.2	8.1	5.1
Listed investment funds	1.1	1.1	-
Total from investment portfolio	14.3	9.2	5.1

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

Investment Portfolio Composition

As at 31 March 2022, the portfolio was valued at £101.2 million. An analysis of the movements in the year is shown in note 7.

The portfolio has 23 investments valued above £1.0 million, compared to 21 a year earlier, with the single largest investment, Matillion, representing 17.6 per cent of the net asset value.

The charts on pages 16 and 17 of the annual report show the diversity of the portfolio, splitting it by industry sector, age of investment, investment instrument and the valuation compared to cost.

Under the revised VCT legislation it is no longer possible to deposit funds for longer than seven days which means that cash deposits must be available on very short notice. The Board and the Manager continually review opportunities to generate a higher level of income, without significantly changing the risk profile of the funds held.

As part of this, the Company holds a small diversified quoted portfolio of listed investment funds. During the period, this portfolio generated income for the Company of £0.1 million (2021: £0.1 million). At 31 March 2022, this quoted portfolio was valued at £4.7 million, or 2.9 per cent of net assets (£4.8 million, or 4.4 per cent at 31 March 2021). The overall valuation increase during the year from the quoted portfolio was £0.1 million. Following a review of the composition of the quoted portfolio, assets with an original cost of £1.1 million were realised during the year for proceeds of £1.1 million, of which £0.8 million had been reinvested in the quoted portfolio at 31 March 2022.

In addition, the Company has also invested into a number of money market funds which can be converted back into cash with immediate notice. These funds are included within Current Asset Investments as disclosed in note 9 to the financial statements. At 31 March 2022, these funds were valued at £7.5 million, or 4.7 per cent of net assets (£2.5 million, or 2.3 per cent at 31 March 2021).

Valuation Policy

Unquoted investments are valued in accordance with both IFRS 13 'Fair Value Measurement' and International Private Equity and Venture Capital Guidelines, December 2018 edition (IPEV Guidelines).

Initially, at the first quarter-end following investment, unquoted investments are valued at the price of the funding round; following this, the valuation switches to a new primary basis for all subsequent periods.

The valuation methodology applied depends upon the facts and circumstances of each individual investment. This may be with reference to revenue multiples, earnings multiples, net assets, discounted cash flows or calibrated from the price of the most recent investment.

Quoted investments are valued at bid price.

The full valuation policy is set out in note 1 on pages 66 and 67 of the annual report.

Table E shows the value of unquoted investments within each valuation category as at 31 March 2022.

With continued investment in earlier stage businesses that are investing for growth, an increasing proportion of portfolio valuations are based on revenue multiples.

Table E Valuation Policy	2022		2021
	Valuation £million	% of portfolio by value	% of portfolio by value
Revenue multiple	72.9	72	68
Earnings multiple	20.9	21	25
Cost or price of recent investment, reviewed for change in fair value	3.3	3	3
Discounted cashflow	2.2	2	-
Net assets, reviewed for change in fair value	1.9	2	4
Total – portfolio	101.2	100	100

Sustainable Investment and Environmental, Social and Governance (“ESG”) Management

The Company backs small UK businesses to help them to grow and produce strong financial returns for shareholders with the additional aim of building better businesses that are ultimately more sustainable.

In order to deliver more sustainable businesses, and to meet its commitments under the Principles for Responsible Investment (PRI), the Manager has continued to develop its processes in this area. The Manager’s approach is based on the belief that good businesses:

- Grow our economy
- Improve our society
- Value their people
- Protect the environment

These aims are consistent with the Company’s financial aims because businesses which improve in these areas also strengthen their resilience and value creation potential through their increased attractiveness to customers, employees, suppliers and eventual future owners and investors.

Sustainable Investment Principles

This set of principles guides the Manager’s investment process:

- To seek to understand the ESG related impacts and potential impacts of investments, aiming to grow and enhance positive impacts and to avoid, reduce or minimise any negative impacts over an investment’s lifetime, leaving them overall better businesses;
- To play a positive role in the investor, business and wider communities by promoting good practice in ESG management, and by being transparent in the way that investments are made and how the Manager behaves;
- To increase focus on the challenge of climate change both as it may be affected by our investments, and as it may impact on them and their resilience to possible climate change scenarios;
- To show leadership by managing the Manager’s own business’ ESG impacts to the best of their ability; and
- To be a proactive signatory to the PRI and to integrate its principles into the Manager’s business practices.

In line with the PRI the Manager has developed processes to help the portfolio businesses to be better in each of these spheres, by assessing them in terms of creating positive impacts and outcomes and preventing or minimising negative ones.

The Manager has more recently developed and integrated its ESG management processes, which are:

Pre-investment Phase

Structured processes at the pre-investment stage to identify areas of potential ESG improvement as part of the due diligence and pre-investment deliberations. Appropriate data is collected and assessed on each business against ESG criteria at the point of investment as a benchmark against which to evaluate future progress.

Portfolio Phase

For those investments made since 2020, based on the data collected at the point of investment at the start of the portfolio phase, bespoke areas for improvement are agreed with each management team together with consequent objectives and targets. A similar process has been applied to the significant majority of investments made prior to 2020. Improvements are then measured and recorded against a set of ESG criteria using the Manager's bespoke ESG framework, refreshing targets annually and placing focus on any new issues as they become more material in the management of the company and in meeting the expectations of its stakeholders.

Reporting

Annual reports will be produced, using the Manager's ESG framework for consistency, recording the relevant initiatives, impacts and ESG KPI performance of each company and providing an overview of progress across the Manager's portfolios.

Note that Investment Companies are not within scope for reporting under the Task Force on Climate-Related Financial Disclosures (TCFD); and the Company does not use more than 40,000kWh of energy and therefore is not required to report on its energy usage within Streamlined Energy and Carbon Reporting regulations.

ESG Performance Data and Reporting

ESG KPI data analysis

The Manager has developed its ESG KPI data collation process. They have established a data set reflecting the above ESG themes and a means of collecting this to make year on year comparisons for each company and across the portfolio. Where possible baseline data has been collected from the date of investment with a view to showing where the Manager's support has made a difference during the hold period to the reporting date.

Annual company specific ESG performance progress report

The reviews that the Manager has been conducting enabled the identification of relative strengths and weaknesses and agreement of programmes of action with each business.

In 2021 the Manager has moved to recording annual updates and agreed actions in a more visual and detailed report on both qualitative and quantitative aspects of each company's progress. As well as using this for portfolio reporting to investors it will be used as an engagement tool with the senior management teams of each company.

2021 ESG KPI Report for Investments held in YFM's VCT funds

Growing our economy

- £31.3 million of R&D investment during 2021
- £37.8 million of export sales achieved in 2021

Improving our society

- 95 per cent of companies were independently chaired in 2021
- 40 per cent of companies had female directors on boards, with 25 per cent having a female CEO
- 25 per cent of businesses had a designated board member with responsibility for improving ESG issues

Valuing our people

- 30 per cent of the portfolio workforce was female in 2021
- 866 new jobs were created from date of investment to 2021
- 65 per cent had mental wellbeing programmes in place and 55 per cent held regular employee engagement surveys
- Over 22,000 hours of training was given to employees

Protecting our environment

- 60 per cent of companies had active carbon reduction strategies (up from 15 per cent at investment)
- 25 per cent offset all or a defined portion of their carbon impact
- But only 15 per cent formally measure their carbon footprint

Summary and Outlook

It has been pleasing to see the continued positive progression of the portfolio during the year, both from the continued growth of the Company's technology-enabled and software-focused investments, but also from the recovery of businesses which were heavily impacted by the pandemic.

We continue to help all of our companies navigate a fluid economic environment, with many facing obstacles relating to inflation, hiring of talent and an ever-changing political landscape.

Despite these challenges, we continue to see a strong pipeline of potential investments in a range of growth companies, as well as opportunities to further support the continued growth of the current portfolio. We thank investors for their ongoing support from the Company's January 2022 fundraising, and are looking forward to putting the funds raised to work.

David Hall

YFM Private Equity Limited

Portfolio Summary at 31 March 2022

Name of company	Date of initial investment	Location	Industry Sector	Current cost £000	Valuation at 31 March 2022 £000	Proceeds to date £000	Realised & unrealised value to date* £000
Matillion Limited	Nov-16	Manchester	Data & Analytics	1,778	28,053	7,071	35,124
Springboard Research Holdings Limited	Oct-14	Milton Keynes	Data & Analytics	2,822	6,638	180	6,818
Unbiased EC1 Limited	Dec-19	London	Software Applications	2,946	6,230	-	6,230
Wooshii Limited	May-19	London	New Media	3,660	5,098	-	5,098
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	May-14	Alloa	Business Services	2,934	5,051	-	5,051
Elucidat Ltd	May-19	Brighton	Software Applications	2,700	4,634	-	4,634
DisplayPlan Holdings Limited	Jan-12	Stevenage	New Media	130	4,393	1,521	5,914
SharpCloud Software Limited	Oct-19	London	Data & Analytics	3,407	4,298	-	4,298
Force24 Ltd	Nov-20	Leeds	Software Applications	2,400	3,997	-	3,997
ACC Aviation Group Limited**	Nov-14	Reigate	Business Services	220	3,641	1,848	5,489
Outpost VFX Limited	Feb-21	Bournemouth	New Media	1,500	3,310	-	3,310
Relative Insight Limited	Mar-22	Lancaster	Data & Analytics	3,000	3,000	-	3,000
Tonkotsu Limited	Jun-19	London	Retail & Brands	2,388	2,496	-	2,496
Vuealta Group Limited	Sep-21	London	Software Applications	2,099	2,308	-	2,308
Ncam Technologies Limited	Mar-18	London	New Media	2,512	2,213	131	2,344
Vypr Validation Technologies Limited	Jan-21	Manchester	Data & Analytics	1,500	2,148	-	2,148
Sipsynergy (via Hosted Network Services Limited)	Jun-16	Hampshire	Software Applications	2,654	2,096	-	2,096
KeTech Enterprises Limited	Nov-15	Nottingham	Data & Analytics	10	1,926	1,775	3,701
Frescobol Carioca Ltd	Mar-19	London	Retail & Brands	1,800	1,811	-	1,811
Traveltek Group Holdings Limited	Oct-16	East Kilbride	Software Applications	1,715	1,549	-	1,549
Arcus Global Limited	May-18	Cambridge	Software Applications	3,075	1,365	-	1,365
Panintelligence (via Paninsight Limited)	Nov-19	Leeds	Data & Analytics	1,500	1,125	-	1,125
e2E Engineering Limited	Sep-17	Welwyn Garden City	Business Services	900	1,078	-	1,078
Other investments £0.75 million and below				11,615	2,701	8,469	11,170
Current investments				59,265	101,159	20,995	122,154
Full disposals to date				60,761	-	114,275	114,275
Total portfolio				120,026	101,159	135,270	236,429

* represents proceeds received to date plus the unrealised valuation at 31 March 2022.

** additional ordinary dividends of £2.9 million have also been received.

Summary of Portfolio Movement since 31 March 2021

Name of Company	Investment valuation at 31 March 2021	Disposal proceeds	Additions including capitalised income	Valuation gains including profits / (losses) on disposal	Investment valuation at 31 March 2022
	£000	£000	£000	£000	£000
Matillion Limited	15,658	(4,967)	-	17,362	28,053
Unbiased EC1 Limited	4,026	-	-	2,204	6,230
Outpost VFX Limited	1,500	-	-	1,810	3,310
Force24 Ltd	2,902	-	-	1,095	3,997
Elucidat Ltd	3,587	-	-	1,047	4,634
Wooshii Limited	2,617	-	1,500	981	5,098
Tonkotsu Limited	1,551	-	-	945	2,496
Frescobol Carioca Ltd	907	-	-	904	1,811
Vypr Validation Technologies Limited	1,500	-	-	648	2,148
Traveltek Group Holdings Limited	1,111	-	-	438	1,549
e2E Engineering Limited	697	-	-	381	1,078
SharpCloud Software Limited	2,720	-	1,217	361	4,298
Vuealta Group Limited	-	-	2,099	209	2,308
Other investments £0.75 million and below	202	-	240	58	500
Panintelligence (via Paninsight Limited)	1,125	-	-	-	1,125
Relative Insight Limited	-	-	3,000	-	3,000
Ncam Technologies Limited	2,229	(131)	262	(147)	2,213
Sipsynergy (via Hosted Network Services Limited)	1,470	-	883	(257)	2,096
Arcus Global Limited	3,124	-	150	(1,909)	1,365
Arraco Global Markets Limited	2,297	-	300	(2,477)	120
Investments made after November 2015	49,223	(5,098)	9,651	23,653	77,429
Deep-Secure Ltd	4,121	(6,560)	-	2,439	-
Springboard Research Holdings Limited	4,180	-	89	2,369	6,638
DisplayPlan Holdings Limited	2,742	-	-	1,651	4,393
KeTech Enterprises Limited	2,725	(1,275)	-	476	1,926
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	4,698	-	-	353	5,051
ACC Aviation Group Limited	3,298	-	-	343	3,641
Other investments £0.75 million and below	2,918	(72)	-	(765)	2,081
Investments made prior to November 2015	24,682	(7,907)	89	6,866	23,730
Total investments	73,905	(13,005)	9,740	30,519	101,159

Portfolio

The top 10 investments had a combined value of £72.0 million, 71.1 per cent of the total portfolio.

Risk Factors

The Board carries out a regular review of the risk environment in which the Company operates. The emerging and principal risks and uncertainties identified by the Board and techniques used to mitigate these risks are set out in this section.

The Covid-19 pandemic and the current conflict in Ukraine have created heightened uncertainty for the Company, but the Board does not consider that it has changed the nature of the principal risks. The Board considers that the present processes for mitigating those risks remain appropriate.

The Board seeks to mitigate its emerging and principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board rigorously applies the principles detailed in section 4: “Audit, Risk and Internal Control” of The UK Corporate Governance Code issued by the Financial Reporting Council in July 2018. 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, can be found 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, which would result in qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained, while future dividends paid by the Company would be 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. These tests are closely monitored by the Manager on an ongoing basis and regularly reported to and reviewed by the Board. The Company also makes use of external experts, who review the Company’s compliance with VCT rules on a regular basis. 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, which may include factors arising from geopolitical shocks, could affect investee companies’ performance and valuations.

Mitigation - As well as the response to the ‘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 Manager actively monitors investee company performance, which provides quality information for monthly reviews of the portfolio. The Manager ensures that the portfolio has plans to manage the impact of economic risk.

Investment and Strategic

Risk - Inappropriate strategy, poor asset allocation or consistently weak stock allocation may lead to underperformance and poor returns to shareholders. The quality of enquiries, investments, investee company management teams and monitoring, and the risk of not identifying investee company difficulties may lead to underperformance by the Company 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 Manager 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 company 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 Financial Conduct Authority's Prospectus Rules and UK adopted international accounting standards; it is also subject to the AIFMD EU Exit Regulations. 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 Manager 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 Manager ensures that it hires suitably qualified members of staff who are experienced with regulatory requirements and relevant accounting standards.

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 Manager is well-respected, with a proven track record. It has a formal recruitment process to employ experienced investment staff. Allocation rules relating to co-investments with other funds managed by the Manager have been agreed between the Manager and the Company. Advice is sought from external advisors where required. Both the Company and the Manager maintain appropriate insurances.

Operational

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

Mitigation - The Manager has a documented business continuity plan, which provides for back-up services in the event of a system breakdown. The Manager's systems are protected against viruses and other cyber-attacks. The Manager implemented its business continuity plan through the Covid-19 pandemic with no loss of service.

Cyber/IT

Risk - Inadequate IT systems and controls might lead to business interruption, the inability of the Manager to provide accurate reporting and monitoring or the loss of Company records.

Mitigation - The Manager has in place significant cybersecurity controls, including two factor authentication, email protection software, monitored firewalls and regularly updated electronic devices. The Manager is Cyber Essentials Plus certified. Staff at the Manager regularly receive training in relation to their cybersecurity obligations.

Climate

Risk - The Company, the Manager and the portfolio companies may fail to positively contribute towards, and adapt to, the global transition towards decarbonisation, which could result in regulatory breaches, reduced investor and/or employee attraction and the reduced ability of portfolio companies to attract lending to fund their growth.

Mitigation - In 2021, the Manager published its first Sustainable Investment Report, detailing the steps it has taken in this area to date. The Manager is a signatory of the UN's Principles for Responsible Investment; it has published its Sustainable Investment Principles; and has rewritten its Ethical Policy. Its investment process now includes a set of over 50 thematic ESG KPIs, with which it is now tracking its portfolio over time across four key areas: Improve our Society; Protect our Environment; Grow our Economy; and Value our People. Further details can be found on pages 21 to 23 of the annual report.

Financial

Risk - Inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.

Mitigation - The Company's internal control and risk management processes 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.

By their nature, investments in unquoted companies involve a higher degree of risk than investments in companies trading on public markets. In particular, smaller companies often have limited product lines, markets or financial resources; they may be dependent on a smaller number of key individuals.

For quoted companies, the fact that a share is traded on the public 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, smaller companies' shares are often less liquid than 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 Manager and on a quarterly basis by the Board.

The Company's valuation methodology takes account of potential liquidity restrictions in the markets in which it invests.

For any publicly listed investments, accounting standards require an ongoing assessment of the liquidity of the stock.

The Manager regularly reviews its exit plans for investee companies to allow the assets to be optimised to identify a willing buyer. As part of a planned exit, the assistance of a third party adviser will normally be sought, with a view to identifying the largest number of possible purchasers.

Other Matters

Section 172 Statement

This Section 172 Statement should be read in conjunction with the other contents of the Strategic Report, on pages 6 to 36 of the annual report.

Section 172 of the Companies Act 2006 requires that a director must act in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- > The likely consequences of any decision in the long term;
- > The interests of the company's employees;
- > The need to foster the company's business relationships with suppliers, customers and others;
- > The impact of the company's operations on the community and the environment;
- > The desirability of the company maintaining a reputation for high standards of business conduct; and
- > The need to act fairly as between members of the company.

The Company takes a number of steps to understand the views of investors and other key stakeholders and considers these, along with the matters set out above, in Board discussions and decision making.

Key Stakeholders

As an investment company with no employees, the Company's key stakeholders are its investors, its service providers and its portfolio companies.

Investors

The Board engages and communicates with shareholders in a variety of ways.

The Company encourages shareholders to attend its Annual General Meeting.

Along with British Smaller Companies VCT2 plc, the Company normally holds an annual Investor Workshop, which is always well attended. Because of restrictions introduced by the UK Government during the recent Covid-19 pandemic, it was not possible to hold this in its normal format, so two online workshops were held, in June 2021 and December 2021, which were attended by almost 200 shareholders. The Manager also carried out a shareholder survey during 2021.

Maintaining the Company's status as a VCT is critical to meeting the Company's objective to maximise Total Return and provide investors with an attractive long-term tax-free dividend yield. The Company receives regular reports on this issue from the Manager and has taken various steps in the year to ensure that the relevant tests are met.

The Board also aims for investors to continue to have tax efficient opportunities to invest in the Company, and to generate tax-free returns from both capital appreciation and ongoing dividends.

On 22 September 2021, the Company issued a prospectus, alongside British Smaller Companies VCT2 plc, to raise up to £60 million in aggregate for the 2021/22 tax year. The related allotment took place on 7 January 2022, following which the Company received net proceeds of £33.2 million.

During the year the Board kept its arrangements for dividends, share buy-backs and the dividend re-investment scheme under constant review. Along with normal dividends totalling 4.0 pence per ordinary share, a special dividend of 5.0 pence per ordinary share was paid in November 2021, following the partial realisation of the Company's investment in Matillion.

Manager

The Company's most important service provider is its Manager. There is regular contact with the Manager, and members of the Manager's board attend all of the Company's Board meetings. There is also an annual strategy meeting with the Manager, alongside the board of British Smaller Companies VCT2 plc.

The Manager maintains strong relationships with relevant media publications and a wide range of distributors for the Company's shares, including wealth managers, independent financial advisers and execution-only brokers. RAM Capital acts as a promoter of the Company's shares to smaller distributors.

The Company is a member of the Association of Investment Companies which promotes the interests of investment companies, including VCTs. The Manager is a founder member of the Venture Capital Trust Association, which promotes the interests of VCTs in a variety of ways.

Portfolio Companies

The Company holds minority investments in its portfolio companies and has delegated the management of the portfolio to the Manager. The Manager provides the Board with regular updates on the performance of each portfolio company at least quarterly and the Board is made aware of all major issues.

The Manager has a dedicated Portfolio team to assist the portfolio companies with the challenges that they face as fast-growing companies. The Manager promotes ongoing, sustainable growth within the businesses; this often involves improving systems and processes, as well as significant job creation.

The Covid-19 pandemic highlighted the Manager's ongoing commitment to support its portfolio companies. At the start of the pandemic, the Manager put in place weekly monitoring reviews, as well as providing the portfolio with regular updates on the availability of government funding initiatives. Cash flow forecasts were kept under constant review and additional funding was provided where appropriate.

Employees

The Company has no employees. The Board is composed of two female non-executive director and three male non-executive directors. For a review of the policies used when appointing directors to the Board of the Company, please refer to the Directors' Remuneration Report on pages 50 to 52 of the annual report.

Environment and Community

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment. The management and administration of the Company is undertaken by the Manager, YFM Private Equity Limited, who recognises the importance of its environmental responsibilities and has signed up to the United Nations' Principles for Responsible Investment.

More details of the work that the Manager has done in this area are set out on pages 21 to 23 of the annual report. Its Sustainable Investment Policy can be found at www.yfmep.com/who-we-are/our_impact/

Business Conduct

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 Manager 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;
- > The Company has communicated its anti-bribery policy to the Manager and its other service providers and, in turn, the Manager ensures that portfolio companies implement appropriate policies of their own; and
- > The Manager has its own Anti-Bribery and Anti-Slavery policies and ensures that portfolio companies adopt a similar policy.

Helen Sinclair

Chairman

Statement of Comprehensive Income

For the year ended 31 March 2022

		2022			2021		
	Notes	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments	7	-	5,131	5,131	-	1,740	1,740
Gains on investments held at fair value	7	-	25,515	25,515	-	17,639	17,639
Gain arising from the portfolio		-	30,646	30,646	-	19,379	19,379
Income	2	1,065	-	1,065	4,074	-	4,074
Total income		1,065	30,646	31,711	4,074	19,379	23,453
Administrative expenses:							
Manager's fee		(577)	(1,732)	(2,309)	(419)	(1,256)	(1,675)
Incentive fee		-	(621)	(621)	-	-	-
Other expenses		(517)	-	(517)	(439)	-	(439)
	3	(1,094)	(2,353)	(3,447)	(858)	(1,256)	(2,114)
(Loss) profit before taxation		(29)	28,293	28,264	3,216	18,123	21,339
Taxation	4	-	-	-	-	-	-
(Loss) profit for the year		(29)	28,293	28,264	3,216	18,123	21,339
Total comprehensive (expense) income for the year		(29)	28,293	28,264	3,216	18,123	21,339
Basic and diluted (loss) earnings per ordinary share	6	(0.02p)	18.24p	18.22p	2.32p	13.06p	15.38p

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 UK adopted international accounting standards. 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 April 2021 – "SORP") published by the AIC.

Balance Sheet

At 31 March 2022

	Notes	2022	2021
		£000	£000
ASSETS			
Non-current assets at fair value through profit or loss			
Investments	7	101,159	73,905
Listed investment funds	7	4,706	4,838
Financial assets at fair value through profit or loss	7	105,865	78,743
Accrued income and other assets		907	704
		106,772	79,447
Current assets			
Accrued income and other assets		150	971
Current asset investments		14,471	9,471
Cash and cash equivalents		38,928	20,657
		53,549	31,099
LIABILITIES			
Current liabilities			
Trade and other payables		(787)	(186)
Net current assets		52,762	30,913
Net assets		159,534	110,360
Shareholders' equity			
Share capital		20,510	16,131
Share premium account		62,123	29,995
Capital reserve		33,620	41,106
Investment holding gains and losses reserve		41,982	18,944
Revenue reserve		1,299	4,184
Total shareholders' equity		159,534	110,360
Net asset value per ordinary share	8	85.7p	75.8p

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 21 June 2022.

Helen Sinclair

Chairman

Statement of Changes in Equity

For the year ended 31 March 2022

	Share capital	Share premium account	Capital reserve	Investment holding gains and losses reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	14,950	22,838	49,624	375	1,174	88,961
<i>Revenue return for the year</i>	-	-	-	-	3,216	3,216
<i>Expenses charged to capital</i>	-	-	(1,256)	-	-	(1,256)
<i>Gain on investments held at fair value</i>	-	-	-	17,639	-	17,639
<i>Gain on disposal of investments in the year</i>	-	-	1,740	-	-	1,740
Total comprehensive income for the year	-	-	484	17,639	3,216	21,339
<i>Issue of share capital</i>	929	6,121	-	-	-	7,050
<i>Issue of shares – DRIS</i>	252	1,257	-	-	-	1,509
<i>Issue costs</i>	-	(221)	(35)	-	-	(256)
<i>Purchase of own shares</i>	-	-	(2,732)	-	-	(2,732)
<i>Dividends</i>	-	-	(5,305)	-	(206)	(5,511)
Total transactions with owners	1,181	7,157	(8,072)	-	(206)	60
Realisation of prior year investment holding losses	-	-	(930)	930	-	-
Balance at 31 March 2021	16,131	29,995	41,106	18,944	4,184	110,360
<i>Revenue loss for the year</i>	-	-	-	-	(29)	(29)
<i>Expenses charged to capital</i>	-	-	(2,353)	-	-	(2,353)
<i>Gain on investments held at fair value</i>	-	-	-	25,515	-	25,515
<i>Gain on disposal of investments in the year</i>	-	-	5,131	-	-	5,131
Total comprehensive income (expense) for the year	-	-	2,778	25,515	(29)	28,264
<i>Issue of share capital</i>	3,952	30,676	-	-	-	34,628
<i>Issue of shares – DRIS</i>	427	2,990	-	-	-	3,417
<i>Issue costs</i>	-	(1,538)	-	-	-	(1,538)
<i>Purchase of own shares</i>	-	-	(2,498)	-	-	(2,498)
<i>Dividends</i>	-	-	(10,303)	-	(2,796)	(13,099)
Total transactions with owners	4,379	32,128	(12,801)	-	(2,796)	20,910
Realisation of prior year investment holding gains	-	-	2,537	(2,477)	(60)	-
Balance at 31 March 2022	20,510	62,123	33,620	41,982	1,299	159,534

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 £000	Revenue reserve £000	Total £000
Distributable reserves as shown above	33,620	1,299	34,919
<i>Less: income not yet distributable</i>	(231)	(1,299)	(1,530)
Reserves available for distribution¹	33,389	-	33,389

1. Following the circulation of the Annual Report to shareholders.

The capital reserve and revenue reserve are both distributable reserves. The reserves total £34,919,000 representing a decrease of £10,371,000 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.

Of the potentially distributable reserves of £34,919,000 shown above, £1,530,000 relates to income not yet distributable.

Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 £000	2021 £000
Net cash (outflow) inflow from operating activities		(1,483)	1,004
Cash flows (used in) from investing activities			
Purchase of financial assets at fair value through profit or loss	7	(10,465)	(8,661)
Proceeds from sale of financial assets at fair value through profit or loss	7	14,069	1,813
Deferred consideration	7	240	489
Net cash inflow (outflow) from investing activities		3,844	(6,359)
Cash flows from (used in) financing activities			
Issue of ordinary shares		34,628	7,050
Costs of ordinary share issues*		(1,538)	(256)
Purchase of own ordinary shares		(2,498)	(2,732)
Dividends paid	5	(9,682)	(4,002)
Net cash inflow from financing activities		20,910	60
Net increase (decrease) in cash and cash equivalents		23,271	(5,295)
Cash and cash equivalents at the beginning of the year		23,158	28,453
Cash and cash equivalents at the end of the year		46,429	23,158

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

Cash and cash equivalents comprise

Money market funds	7,501	2,501
Cash at bank	38,928	20,657
Cash and cash equivalents at the end of the year	46,429	23,158

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

	2022 £000	2021 £000
Profit before taxation	28,264	21,339
Increase (decrease) in trade and other payables	601	(19)
Decrease (increase) in accrued income and other assets	387	(848)
Gain on disposal of investments	(5,131)	(1,740)
Gains on investments held at fair value	(25,515)	(17,639)
Capitalised income	(89)	(89)
Net cash (outflow) inflow from operating activities	(1,483)	1,004

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 as set out in the Directors Report on page 38 of the annual report and in accordance with UK adopted international accounting standards.

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 April 2021 – "SORP") to the extent that they do not conflict with UK adopted international accounting standards.

The financial statements are prepared in accordance with UK adopted international accounting standards (IFRSs) and interpretations in force at the reporting date. New standards coming into force during the year and future standards that come into effect after the year-end 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. The Company has determined that the transitional effects of the standards do not have a material impact.

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

Financial Assets held at Fair Value through Profit or Loss

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

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

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

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

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

Valuation of Investments

Unquoted investments are valued in accordance with IFRS 13 "Fair Value Measurement" and, using the International Private Equity and Venture Capital Valuation Guidelines ("the IPEV Guidelines") updated in December 2018. Quoted investments are valued at market bid prices. A detailed explanation of the valuation policies of the Company is included below.

Initial Measurement

The best estimate of the initial fair value of an unquoted investment is the cost of the investment. Unless there are indications that this is inappropriate, an unquoted investment will be held at this value within the first three months of investment.

Subsequent Measurement

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

Unquoted Investments

- > **Revenue multiples.** An appropriate multiple, given the risk profile and revenue growth prospects of the underlying company, is applied to the revenue of the company. The multiple is adjusted to reflect any risk associated with lack of marketability and to take account of the differences between the investee company and the benchmark company or companies used to derive the multiple.
- > **Earnings multiple.** An appropriate multiple, given the risk profile and earnings growth prospects of the underlying company, is applied to the maintainable earnings of the company. The multiple is adjusted to reflect any risk associated with lack of marketability and to take account of the differences between the investee company and the benchmark company or companies used to derive the multiple.
- > **Net assets.** The value of the business is derived by using appropriate measures to value the assets and liabilities of the investee company.
- > **Discounted cash flows of the underlying business.** The present value of the underlying business is derived by using reasonable assumptions and estimations of expected future cash flows and the terminal value, and discounted by applying the appropriate risk-adjusted rate that quantifies the risk inherent in the company.
- > **Discounted cash flows from the investment.** Under this method, the discounted cash flow concept is applied to the expected cash flows from the investment itself rather than the underlying business as a whole.
- > **Price of recent investment.** This may represent the most appropriate basis where a significant amount of new investment has been made by an independent third party. This is adjusted, if necessary, for factors relevant to the background of the specific investment such as preference rights and will be benchmarked against other valuation techniques. In line with the IPEV Guidelines the price of recent investment will usually only be used for the initial period following the round and after this an alternative basis will be found.

Due to the significant subjectivity involved, discounted cash flows are only likely to be reliable as the main basis of estimating fair value in limited situations. Their main use is to support valuations derived using other methodologies and for assessing reductions in fair value.

One of the valuation methods described above is used to derive the gross attributable enterprise value of the company after which adjustments are then made to reflect specific circumstances, such as the impact of the coronavirus pandemic. This value is then apportioned appropriately to reflect the respective debt and equity instruments in the event of a sale at that level at the reporting date.

Quoted Investments and Listed Investment Funds

Quoted investments and listed investment funds are valued at active market bid price. An active market is defined as one where transactions take place regularly with sufficient volume and frequency to determine price on an ongoing basis. No methodology other than active market bid price has been applied as at 31 March 2022.

Income

Dividends and interest are received from financial assets measured at fair value through profit or loss and are recognised on the same basis in the Statement of Comprehensive Income. This includes interest and preference dividends rolled up and/or payable at redemption. Interest income is also received on cash, cash equivalents and current asset investments. Dividend income on unquoted equity shares is recognised at the time when the right to the income is established.

Expenses

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

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

Incentive Fee

The incentive fee is accounted for on an accruals basis. As further detailed in note 3, a performance incentive fee is payable to the Manager subject to the Company achieving both a target level of Total Return (the "Total Return Hurdle") and dividends ("Dividend Hurdle"). Subject to meeting the Total Return Hurdle, the Manager will receive an amount equivalent to 20 per cent of the amount by which dividends paid per share exceeds the Dividend Hurdle, multiplied by the number of shares in issue at the year end. The incentive fee in any financial year will be subject to a cap if the excess of dividends paid over the Dividend Hurdle is greater than the sum of the excess of the Total Return over the Total Return Hurdle divided by 1.2. At the end of each reporting period, an accrual is recognised based upon the dividends paid during the financial year to date and the Total Return at the end of the reporting period. The incentive fee is charged wholly through the Capital column.

Cash, Cash Equivalents and Current Asset Investments

Cash at bank comprises cash at hand and bank deposits with an original maturity of less than 3 months, readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

Current asset investments comprise money market funds and balances held in fixed term deposits which mature after three months.

Cash and cash equivalents include cash at hand, money market funds and bank deposits repayable on up to three months' notice as these meet the definition in IAS 7 'Statement of cash flows' of a short-term highly liquid investment that is readily convertible into known amounts of cash and subject to insignificant risk of change in value.

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

Cash and cash equivalents are valued at amortised cost, which equates to fair value.

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

Share Capital and Reserves

Share Capital

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

Share Premium Account

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

Capital Reserve

The following are included within this reserve:

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

Investment Holding Gains and Losses Reserve

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

Revenue Reserve

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

Taxation

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

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

Dividends Payable

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

Segmental Reporting

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

Critical Accounting Estimates and Judgements

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

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

The Board uses its judgement to select the appropriate method for determining the fair value of investments through profit or loss.

2. Income

	2022	2021
	£000	£000
Dividends from unquoted companies*	504	3,336
Interest on loans to unquoted companies	359	522
Income from unquoted portfolio	863	3,858
Income from listed investment funds	129	124
Income from investments held at fair value through profit or loss	992	3,982
Interest on bank deposits/money market funds	73	92
	1,065	4,074

* 2021 includes an ordinary dividend of £2.9 million received from ACC Aviation

3. Administrative Expenses

	2022	2021
	£000	£000
Manager's fee	2,309	1,675
Administration fee	69	68
Total payable to YFM Private Equity Limited	2,378	1,743
Incentive fee	621	-
<i>Other expenses:</i>		
Directors' remuneration	124	126
General expenses	90	80
Trail commission paid to financial intermediaries	60	82
Listing and registrar fees	58	57
Auditor's remuneration (excluding irrecoverable VAT)		
- audit of the statutory financial statements	43	38
Printing	41	36
Irrecoverable VAT	32	31
	3,447	2,193
Fair value movement related to credit risk	-	(79)
	3,447	2,114
Ongoing charges figure	2.02%	2.10%

Directors' remuneration comprises only short term benefits including social security contributions of £9,000 (2021: £9,000).

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

No fees are payable to the auditor in respect of other services (2021: £nil), apart from costs of £12,000 (2021: £nil) for audit-related assurance services which were charged to the share premium account.

YFM Private Equity Limited provides management services to the Company under an agreement (IA) dated 28 February 1996 as varied by agreements dated 1 July 2009, 16 November 2012, 17 October 2014, 24 August 2015 and 18 November 2019. 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.

Under an agreement dated 18 November 2019 YFM Private Equity Limited was appointed as the Company's Alternative Fund Manager. As a result the Company was de-registered by the Financial Conduct Authority as a Small Registered Alternative Investment Fund Manager on 24 March 2021 and responsibility for the custody of the Company's investments passed to YFM Private Equity Limited on that date.

The key features of the IA are:

- > YFM Private Equity Limited receives a Manager's 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 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 fee payable to the Manager is 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 2022 of £159,534,000 and cash of £45,898,000 at that date, and the incentive payment for the year ended 31 March 2022 being made prior to 30 September 2022, this equates to approximately £2,844,000 per annum;
- > Under the IA 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 £69,000 for the year ended 31 March 2022 (2021: £68,000); and
- > YFM Private Equity Limited shall bear the annual operating costs of the Company (including the fees 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 (2021: £nil).

When the Company makes investments into its unquoted portfolio the Manager charges that investee an advisory fee or arrangement fee, calculated by applying a percentage to the investment amount. The Company and the Manager 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 2022, the Company was due a rebate from the Manager of £nil (2021: £nil).

The total remuneration payable to YFM Private Equity Limited under the IA in the period was £2,378,000 (2021: £1,743,000).

Monitoring and directors' fees the Manager receives from the investee companies are limited to a maximum of £40,000 (excluding VAT) per annum per company.

Under the IA, 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 2022 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £1,271,000 (2021: £1,158,000).

A performance incentive fee is payable to the Manager subject to the Company achieving both a target level of Total Return (the "Total Return Hurdle") and dividends ("Dividend Hurdle"). Subject to meeting the Total Return Hurdle, the Manager will receive an amount equivalent to 20 per cent of the amount by which dividends paid per share exceeds the Dividend Hurdle, multiplied by the number of shares in issue at the year end. The incentive fee in any financial year will be subject to a cap if the excess of dividends paid over the Dividend Hurdle is greater than the sum of the excess of the Total Return over the Total Return Hurdle divided by 1.2. With effect from 31 March 2019 the Total Return Hurdle was 228.6 pence per share and the annual increase is equivalent to 4.0 pence per 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 2022 the annual increase in the Total Return Hurdle was 5.6 pence per share.

The Dividend Hurdle was 4.0 pence per share (increasing in line with RPI) from 1 April 2009. For the year ended 31 March 2022 the Dividend Hurdle was 5.6 pence per share.

The Total Return Hurdle for the year ended 31 March 2021 was 244.8 pence per share while the Total Return at 31 March 2021 was 233.2 pence per share, a shortfall of 11.6 pence per share. The total dividends paid in the year were 4.0 pence per share. Consequently no incentive fee was paid for the year ended 31 March 2021.

The Total Return Hurdle for the year ended 31 March 2022 was 250.4 pence per share. The Total Return as at 31 March 2022 (prior to the accrual for the subsequent incentive fee) was 252.4 pence per share, an excess of 2.0 pence. The Dividend Hurdle was 5.6 pence per share. The total dividends paid in the year were 9.0 pence per share. Consequently both Hurdles were exceeded, resulting in a performance related incentive fee being payable. This is calculated by taking the lower excess of the two hurdles, being 2.0 pence, divided by 1.2 to adjust for the impact of the fee due to be paid (1.67 pence); 20 per cent of this figure (0.33 pence) gives the resulting incentive fee per share in issue; with 186,260,145 shares in issue, this results in a total fee payable of £621,000.

The Total Return Hurdle for the year ending 31 March 2023 is 258.2 pence per share. The Dividend Hurdle is 6.1 pence per share.

If the annual incentive fee exceeds £5.0 million 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 Manager for any one year shall, when taken with all other relevant costs, ensure that the Company's total costs in a single year do not exceed 5 per cent of net assets. Any excess over the 5 per cent is carried forward to be included in the calculation of the amount that can be paid in future years. Except with shareholder approval the maximum fee payable in any 12 month period will not exceed £7,500,000.

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.

Under the terms of the offer launched with British Smaller Companies VCT2 on 2 February 2021, YFM Private Equity Limited was entitled to 2.5 per cent of gross subscriptions, less the cost of re-investment of intermediary commission. The net amount paid to YFM Private Equity Limited under this offer amounted to £176,000.

Under the terms of the offer launched with British Smaller Companies VCT2 on 22 September 2021, YFM Private Equity Limited was entitled to 3.0 per cent of gross subscriptions (3.5 per cent for Applications received from Applicants who did not invest their money through a financial intermediary advisor and invested directly into the Company), less the cost of re-investment of intermediary commission. The net amount paid to YFM Private Equity Limited under this offer amounted to £1,019,000.

The Manager met all costs and expenses arising out of these offers out of these fees.

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 51 of the annual report under the heading "Directors' Remuneration for the year ended 31 March 2022 (audited)".

4. Taxation

	2022			2021		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
(Loss) profit before taxation	(29)	28,293	28,264	3,216	18,123	21,339
(Loss) profit before taxation multiplied by standard rate of corporation tax in UK of 19% (2021 :19%)	(6)	5,376	5,370	611	3,443	4,054
Effect of:						
UK dividends received	(103)	-	(103)	(644)	-	(644)
Non-taxable profits on investments	-	(5,823)	(5,823)	-	(3,682)	(3,682)
Deferred tax not recognised	109	447	556	33	239	272
Tax charge	-	-	-	-	-	-

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

Deferred tax assets of £4,077,000 (2021: £2,543,000) calculated at 25% (2021: 19%) in respect of unrelieved management expenses of £16.31 million as at 31 March 2022 (2021: £13.39 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:

	2022			2021		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Interim dividend for the year ended 31 March 2022 of 2.0p (2021: 2.0p) per ordinary share	2,796	116	2,912	206	2,537	2,743
Second interim dividend for the year ended 31 March 2022 of 5.0p (2021: 2.0p) per ordinary share	-	7,244	7,244	-	2,768	2,768
Third interim dividend for the year ended 31 March 2022 of 2.0p per ordinary share	-	2,943	2,943	-	-	-
	2,796	10,303	13,099	206	5,305	5,511
Shares allotted under DRIS			(3,417)			(1,509)
Dividends paid in Statement of Cash Flows			9,682			4,002

The first interim dividend of 2.0 pence per ordinary share was paid on 23 July 2021 to shareholders on the register as at 25 June 2021.

The second interim dividend of 5.0 pence per ordinary share was paid on 16 November 2021 to shareholders on the register as at 15 October 2021.

The third interim dividend of 2.0 pence per ordinary share was paid on 5 January 2022 to shareholders on the register as at 26 November 2021.

An interim dividend of 2.0 pence per ordinary share in respect of the year ending 31 March 2023 amounting to approximately £3.7 million has been announced. This dividend has not been recognised in the year ended 31 March 2022 as the obligation did not exist at the balance sheet date.

6. Basic and Diluted (Loss) Earnings per Share

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to shareholders of £28,264,000 (2021: £21,339,000) and 155,125,398 (2021: 138,775,882) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue (loss) earnings per ordinary share is based on the revenue loss for the year attributable to shareholders of £29,000 (2021: profit of £3,216,000) and 155,125,398 (2021: 138,775,882) 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 £28,293,000 (2021: £18,123,000) and 155,125,398 (2021: 138,775,882) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 39,514,174 new ordinary shares from the fundraising, and 4,270,105 new ordinary shares in respect of its DRIS.

The Company has also repurchased 3,148,801 of its own shares in the year, and these shares are held in the Capital Reserve. The total of 18,834,982 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 2022 and 31 March 2021.

7. Financial Assets at Fair Value through Profit or Loss

IFRS 13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1 and comprise listed investment funds, AIM quoted investments and other fixed income securities classified as held at fair value through profit or loss.

Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Company held no such instruments in the current or prior year.

Level 3: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as revenue or earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The majority of the Company's investments fall into this category at 31 March 2022.

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

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

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

Valuation of Investments

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

Movements in investments at fair value through profit or loss during the year to 31 March 2022 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1	Total
	Unquoted Investments	Listed Investment Funds	Investments
	£000	£000	£000
Opening cost	54,954	4,845	59,799
Opening investment holding gain (loss)	18,951	(7)	18,944
Opening fair value at 1 April 2021	73,905	4,838	78,743
Additions at cost	9,651	814	10,465
Capitalised income	89	-	89
Disposal proceeds	(13,005)	(1,064)	(14,069)
Net profit on disposal*	5,112	10	5,122
Change in fair value	24,648	108	24,756
Foreign exchange	759	-	759
Closing fair value at 31 March 2022	101,159	4,706	105,865
Closing cost	59,265	4,618	63,883
Closing investment holding gain	41,894	88	41,982
Closing fair value at 31 March 2022	101,159	4,706	105,865

*The net profit on disposal in the table above is £5,122,000 whereas that shown in the Statement of Comprehensive Income is 5,131,000. The difference comprises the change in the value of deferred proceeds totalling £9,000 in respect of assets which have been disposed of and are not included within the investment portfolio at 1 April 2021.

There were no individual reductions in fair value during the year that exceeded 5 per cent of the total assets of the Company (2021: £nil).

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

	Net proceeds from sale £000	Cost £000	Opening carrying value as at 1 April 2021 £000	Profit (loss) on disposal £000
<i>Unquoted investments:</i>				
Deep-Secure Ltd	6,560	1,000	4,121	2,439
Matillion Limited	4,967	269	2,349	2,618
KeTech Enterprises Limited	1,275	1,490	1,292	(17)
Ncam Technologies Limited	131	131	131	-
Harris Hill Holdings Limited	72	439	-	72
Friska Limited	-	2,100	-	-
Total from unquoted investments	13,005	5,429	7,893	5,112
<i>Deferred proceeds:</i>				
Bagel Nash Group Limited	150	-	150	-
Ness (Holdings) Limited	90	-	81	9
Total from deferred proceeds	240	-	231	9
Total from portfolio	13,245	5,429	8,124	5,121
Listed investment funds	1,064	1,041	1,054	10
Total from investment portfolio	14,309	6,470	9,178	5,131

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 £159,534,000 (2021: £110,360,000) and 186,260,145 (2021: 145,624,667) 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 2022 and 31 March 2021.

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 166.4 pence per ordinary share (2021: 157.4 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 2022 or 31 March 2021.

11. Related Party Transactions

Fees payable during the year to the directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report on pages 50 to 52 of the annual report. There were no amounts outstanding and due to the directors at 31 March 2022 (2021: £nil).

12. Events after the Balance Sheet Date

Following the year end one new investment and two follow-on investments totalling £1.9 million have been completed.

13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 March 2022 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>. They can also shortly be viewed on the Company's website at <http://www.bscfunds.com>. Hard copies of the statutory accounts for the year to 31 March 2022 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 A C N Bastin, Mr J H Cartwright, Mr R Cook and Ms P Sapre.

15. Annual General Meeting

The Annual General Meeting of the Company will be held at 9:30 am on 16 September 2022 at 33 St James Square, London SW1Y 4JS. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 91 of the annual report.

16. Interim Dividend for the Year Ending 31 March 2023

The directors have previously announced the payment of an interim dividend for the year ending 31 March 2023 of 2.0 pence per ordinary share ("Interim Dividend").

The Interim Dividend will be paid on 12 July 2022 to those shareholders on the Company's register at the close of business on 10 June 2022. The ex-dividend date will be 9 June 2022.

The directors are not proposing a final dividend for the year ended 31 March 2022.

17. Dividend Re-investment Scheme

The Company operates a dividend re-investment scheme ("DRIS"). The latest date for receipt of new or updated DRIS elections in respect of the Interim Dividend is the close of business on 24 June 2022.

18. 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 Private Equity Limited	Tel: 0113 244 1000
Alex Collins	Panmure Gordon (UK) Limited	Tel: 0207 886 2767