YFM Equity Partners

British Smaller Companies VCT plc

Annual Report

for the year ended 31 March 2024

bsc funds.com

Transforming small businesses

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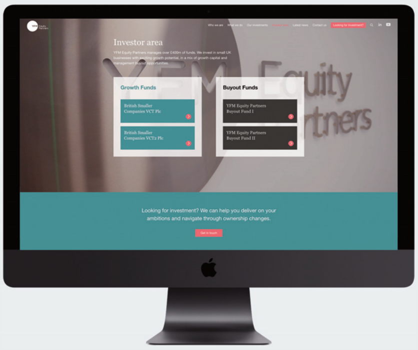
About us

British Smaller Companies VCT plc was formed in 1996. It aims to provide investors exposure to a diversified portfolio of UK businesses that offer opportunities in the application and development of innovation in their products and services, across established and emerging industries.

The portfolio had a valuation of £126.6 million as at 31 March 2024.

Registered Number:
03134749



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British Smaller Companies VCT plc
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BRITISH SMALLER COMPANIES VCT PLC

Transforming small businesses

Manager

YFM Private Equity Limited ("the Manager") is a wholly owned subsidiary of YFM Equity Partners LLP and is authorised and regulated by the Financial Conduct Authority.

Investment Policy

The investment strategy of British Smaller Companies VCT plc ("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. Further details of the Company's investment policy can be found in the Strategic Report on page 9.

Dividend Policy

The Board remains committed to achieving the objective, over time, of paying tax free dividends from realised investment returns. This depends upon the level of investment income and realisations that the Company is able to make or achieve in any one period and cannot be guaranteed.

The tax reliefs that are available for an investment in a Venture Capital Trust are of particular benefit for shareholders as there is no income tax payable on the dividends received, or need to declare them in a tax return.

Share Buy-Backs

Share buy-backs enable shareholders to obtain some liquidity in an otherwise illiquid market when there is a need to dispose of shares. This policy is kept under active review to ensure that any decisions taken are in the interests of shareholders as a whole. The current rate of discount at which ordinary shares will be bought back is targeted to be no more than five per cent of the latest reported net asset value.

Dividend Re-Investment Scheme ("DRIS")

The Company operates a DRIS which gives shareholders the opportunity to re-invest any cash dividends. Currently, dividends are re-invested at the latest reported net asset value as adjusted for the relevant dividend in question if this has not already been recognised. Any dividends that are re-invested by shareholders are eligible for income tax relief at 30 per cent of the amount invested, subject to an annual investment limit of £200,000, or, if lower, the amount of a shareholder's income tax liability. The Finance Act 2014 confirmed that shares acquired at any time under dividend re-investment schemes will not impact tax relief on sales of, or subscriptions for, VCT shares, unless in the latter case it results in a breach of the £200,000 investment limit.

*Under Chapter 3 Part 6 of the Income Tax Act 2007

Financial Highlights

TOTAL RETURN IN THE YEAR[1]

3.9p

4.7% return in the year

The Company's Total Return increased by 3.9 pence, equivalent to an annualised return of 4.7 per cent of the opening net asset value. Overall Total Return increased from 258.6 pence per ordinary share to 262.5 pence per ordinary share, which includes cumulative dividends paid of 178.9 pence per ordinary share.

REALISATION PROCEEDS

£16.5m

+£11.3m over cost

Realisations of portfolio investments generated total proceeds of £16.5 million, a gain of £4.6 million over the opening carrying value and £11.3 million over cost, a blended return of 3.1x cost.

INVESTED IN PORTFOLIO

£9.1m

for 23/24

The Company invested capital into eight companies during the year, of which two were new additions to the portfolio.

DIVIDENDS PAID IN THE YEAR

4.0p

Yield of 4.8%

Total dividends paid were 4.0 pence per ordinary share, which equates to 4.8 per cent of the opening net asset value per ordinary share.

FUNDS RAISED

£62.4m

for 22/23 & 23/24

The Company raised £44.3 million in 2022/23, which was allotted in April 2023. A further £18.1 million was raised in 2023/24 and allotted in January 2024.

1. Total Return ("TR") is defined as an Alternative Performance Measure. The Board considers TR to be the primary measure of shareholder value; it is calculated as the total of current net asset value per ordinary share plus cumulative dividends paid since inception of the Company.

The Annual Report contains a number of Alternative Performance Measures ("APMs"). APMs are financial measures that are in addition to those defined or specified in the Company's financial reporting framework.

All stated figures above and throughout the annual report exclude the impact of any tax benefits that may arise to shareholders due to the Company's status as a Venture Capital Trust.

Five Year Summary

	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021	Year ended 31 March 2020
Income £000	**4,045**	1,994	1,065	4,074	1,517
Profit (loss) before and after taxation £000	**10,618**	12,237	28,264	21,339	(5,091)
Net assets attributable to ordinary shares £000	**219,600**	157,032	159,534	110,360	88,961
Profit (Loss) per ordinary share	**4.34p**	6.54p	18.22p	15.38p	(3.64p)
Dividends per ordinary share paid in the year	**4.0p**	8.5p	9.0p	4.0p	6.0p
Net asset value per ordinary share	**83.6p**	83.7p	85.7p	75.8p	64.5p
Total Return per ordinary share[1]	**262.5p**	258.6p	252.1p	233.2p	217.9p
Increase (decrease) in Total Return per ordinary share[1]	**3.9p**	6.5p	18.9p	15.3p	(3.8p)
Annualised return[1]	**4.8%**				
Cumulative 3 year increase in Total Return per ordinary share[1]	**29.3p**				
Annualised 3 year return[1]	**13.3%**				
Cumulative 5 year increase in Total Return per ordinary share[1]	**40.8p**				
Annualised 5 year return[1]	**10.9%**				

1. These are Alternative Performance Measures. The Board considers Total Return to be the primary measure of shareholder value. The annualised return comprises the cumulative dividends paid plus the NAV at 31 March 2024, compared to the NAV at the beginning of the relevant period.

Financial Calendar

Results announced	**14 June 2024**
Shareholder workshop	**20 June 2024**
Ex-dividend date	**27 June 2024**
Record date	**28 June 2024**
DRIS Election date	**12 July 2024**
Dividend paid	**26 July 2024**
Annual General Meeting	**10 September 2024**

Your Portfolio

ACC
arcus global
AutomatePro Let's make progress
B2M Solutions ANALYTICS. INSIGHT. RESULTS.
Biorelate
DrDoctor
EIKON
Elucidat
Force24
Frescobol Carioca Rio de Janeiro
Fuuse
GEEIQ
intamac Making Connections
KeTech Better Informed Journeys
MATILLION
ohalo
outpost
panintelligence
Plandek
QualityClouds SaaS by Nature, Quality by Design
Relative Insight
sipsynergy
SharpCloud
Summize
TeraView
Tonkotsu
traveltek YOUR PARTNERS IN TRAVEL TECHNOLOGY
unbiased.co.uk
VUEALTA
Vypr.
WOOSHII
WorkBuzz
xapien AI

Chair's Statement

I am pleased to present the 2024 annual report and financial statements of British Smaller Companies VCT plc (the "Company"), which highlight steady progress for the Company despite a challenging global economic and political environment.

The year has been characterised by the US, UK and European economies tackling persistently high inflation. UK interest rates were still rising in the early part of the Company's financial year, reaching a peak of 5.25 per cent by August. While rates of inflation have come down since, they remain stubbornly above central bank target rates, resulting in delayed cuts to interest rates which continue to weigh on the economy.

Across this period the Company has generated a 4.7 per cent return on its opening net asset value in the year. Over the same period, the FTSE Small Cap rose by 4.4 per cent, while the AIC's index of generalist VCTs rose by 0.3 per cent on a Share Price Total Return basis.

Two continuing trends have driven this positive return. First, portfolio companies have adapted well to market conditions and, while focused on capital efficiency, are still achieving good growth rates in most cases. Of the 24 portfolio companies valued on a revenue basis, all but five have demonstrated positive revenue growth over the last 12 months, and nine have delivered growth of over 40 per cent. This growth has helped to offset the impact of lower valuation multiples, and leaves the portfolio well placed for further growth as market conditions improve.

Second, the portfolio continues to achieve positive realisations in a market where many firms have struggled to convert book values into cash. In the year the Company fully realised four investments and partially realised a further two for combined proceeds of £16.5 million at a blended return of 3.1 times cost; these were pleasing outcomes for the Company and reflect the Company's ethos of working closely with management teams to generate positive returns from all of its investments.

Financial Performance

In 2024, the Company delivered a 3.9 pence per ordinary share increase in Total Return which, as noted above, is equivalent to 4.7 per cent of the opening net asset value at 31 March 2023. Total Return is now 262.5 pence per ordinary share.

The portfolio drove the positive performance, which generated a return of £10.6 million, 8.6 per cent over its opening value with £4.6 million of the return from realised investments and £6.0 million from unrealised investments. New and follow-on investments totalling £9.1 million were completed in the year.

Realisations in the Year

Realisations of portfolio investments generated total proceeds of £16.5 million, a gain of £4.6 million over the opening carrying value and £11.3 million over the original cost. There were four full realisations in the year: Ncam, E2E, MacroArt and DisplayPlan; and two partial realisations: KeTech and Arcus.

The investment in Ncam was realised in April 2023, generating initial proceeds of £1.4 million (0.6x cost), with the potential for additional receipts of up to £1.2 million over the coming years, which would see the Company fully recover its investment. £0.3 million of deferred proceeds have been recognised at the year-end.

In November 2023 the Company exited its investment in E2E for £2.0 million, representing a 2.5x return on the Company's cost; and MacroArt for £1.5 million, representing a 2.0x return on cost.

To maximise shareholder value, the KeTech business was split into its two component parts, Rail and Defence. The Defence business was subsequently sold in January 2024, generating proceeds of £1.5 million. To date, the Company has realised proceeds of £4.1 million from its KeTech investment, a 2.0x return on cost, while still retaining its investment in the Rail business, which at the year-end was valued at £1.2 million.

In January 2024 the Company realised part of its investment in Arcus, generating proceeds of £0.3 million, while still retaining its investment in the remaining restructured business which at the year-end was valued at £1.0 million. This combined £1.3 million of value to date equates to 0.4x cost.

In February 2024, the Company sold its investment in Displayplan for £9.0 million. Total proceeds received over the life of the investment are £12.5 million, an excellent 9.6x return on the Company's cost. There is the potential for further deferred proceeds in due course with £0.6 million of deferred proceeds recognised at the year-end.

Chairman's Statement (continued)

New Investments

The Company invested £9.1 million in the year into the portfolio. Two new investments were made in the year, totalling £4.9 million. In our continued support of the portfolio, six companies received follow-on funding in the year, totalling £4.2 million.

The new investments are:

Investment	Sector
GEEIQ	Data and market intelligence platform in the gaming space
Workbuzz	SaaS based employee engagement, survey and insights platform

Financial Results

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

		Pence per ordinary share		£000
NAV at 31 March 2023		83.7		157,032
Increase in value	2.3		6,045	
Gain on disposal of investments	1.7		4,475	
Net underlying change in investment portfolio	4.0		10,520	
Net operating income	-		98	
Total Return in period		4.0		10,618
Issue/buy-back of new shares		(0.1)		61,585
NAV before the payment of dividends		87.6		229,235
Dividends paid		(4.0)		(9,635)
NAV at 31 March 2024		**83.6**		**219,600**
Cumulative dividends paid		178.9		
Total Return: at 31 March 2024		**262.5**		
at 31 March 2023		258.6		

The charts on page 11 show the movement in Total Return and Net Asset Value over time in greater detail.

The portfolio investments held at the beginning of the financial year, amounting to £123.4 million, delivered a return over the year of £10.6 million. There was a gain of £0.1 million arising from prior year realisations, and the realisation of the listed investments generated a value reduction of £0.2 million.

The current portfolio's net valuation increased by £6.0 million. Within this there were gains of £14.8 million, offset by £8.8 million of downward movements.

Treasury

Due to the nature of its structure, a proportion of the Company's net assets will be held in cash and cash equivalents at any point in time. As interest rates have risen, the Company has taken an active approach to generating a good return on liquid funds, whilst remaining focused on the primary goal of capital preservation.

A portion of the Company's liquid assets are held across a diversified range of Triple-A rated money market funds, managed by global institutions, while the balance is held as readily accessible cash, all of which is held at Tier 1 Financial Institutions (A2 rated or above).

The Company's small externally managed listed portfolio was exited in the period, due to the better risk-adjusted return profile available in money market funds and cash deposits.

In the year, the Company generated a return of £2.8 million on its liquid assets, and at year-end was generating a weighted run-rate return on these assets of around 4.8 per cent per annum.

Dividends

Dividends paid in the year totalled 4.0 pence per ordinary share. These comprised interim dividends of 4.0 pence per ordinary share for the year ended 31 March 2024. Cumulative dividends paid as at 31 March 2024 were 178.9 pence per ordinary share.

An interim dividend for the year ending 31 March 2025 of 2.0 pence per ordinary share will be paid on 26 July 2024, to shareholders on the register at 28 June 2024.

Dividend Re-investment Scheme ("DRIS")

The Company operates a DRIS, which gives shareholders the opportunity to re-invest any cash dividends received; it 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 2024, £2.0 million was re-invested by way of the DRIS, from overall dividends paid of £9.6 million.

Fundraising

During the year the Company received net proceeds of £44.3 million from its 2022/23 fundraising, allotted in April 2023; and £18.1 million from the first allotment of its 2023/24 fundraising, allotted in January 2024.

Shareholder Relations

Investor Workshop

The annual shareholder workshop held on 20 June 2023 was well attended. Attendees heard from Tom Dunlop, CEO of Summize, and Philip Hunt, Chair of Vuealta.

The Company also hosted an online webinar on 27 November 2023, which included presentations from Tom Whicher, CEO of DrDoctor, and Mal Barritt, CEO of TravelTek.

We are pleased to confirm that the next in-person shareholder workshop will be held jointly with British Smaller Companies VCT2 plc on 20 June 2024 at One Great George Street, Westminster, London SW1 3AA.

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.

Chairman's Statement (continued)

SHAREHOLDER RELATIONS

Annual General Meeting 10 September 2024

The Annual General Meeting of the Company will be held at 9:30 am on 10 September 2024 at Thomas House, 84 Ecclestone Square, London SW1V 1PX. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 92.

Events After The Balance Sheet Date

On 3 April 2024 the Company allotted the final shares from its fully subscribed 2023/24 share offer. Gross proceeds of £36.8 million were raised, resulting in the issue of 42,588,037 ordinary shares. This increased the number of ordinary shares in issue to 305,247,398.

Subsequent to the year end, £4.7 million has been invested into two new investments, Fuuse and Ohalo.

Outlook

While rates of inflation have come down in recent months, central banks remain wary of its persistence, which is seeing interest rates remaining at elevated levels for longer than originally anticipated. Ongoing geopolitical instability, particularly in Ukraine and the Middle East, may negatively impact western economies, while upcoming US and UK elections may also provide some uncertainty.

Portfolio companies have performed well while maintaining a focus on capital efficiency over the past 12 months. They are therefore now well placed to take on further funding to accelerate growth, and we anticipate significant opportunities to deploy capital into the Company's most promising investments over the course of the next year. The Company's 2023/24 fundraising leaves it well placed to provide this support, as well as adding new companies to the portfolio in the coming year.

Rupert Cook
Chair

14 June 2024

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 Strategy

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

The Company predominantly invests in unquoted smaller companies and expects that this will continue to make up the significant majority of the portfolio. It will also retain holdings in cash or near-cash investments to provide a reserve of liquidity which will maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Unquoted investments are structured using various investment instruments, including ordinary shares, preference shares, convertible securities and very occasionally loan stock, to achieve an appropriate balance of income and capital growth, having regard to the VCT Regulations. The portfolio is diversified by investing in a broad range of industry sectors. The normal investment period into the portfolio companies is expected to be typically between the range of five to seven years.

Investment Policy

The investment policy 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 will be re-investing their profits for growth and the investments will comprise mainly equity instruments.

The Company seeks to build a broad portfolio of investments in early-stage companies focused 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 priority on all equity investment opportunities meeting the VCT qualifying criteria. Non-VCT qualifying investments are allocated to YFM's co-investment funds.

Asset Mix

Cash which is pending investment in VCT-qualifying securities is held in money market funds and interest bearing instant access and short-notice bank accounts.

Remuneration Policy

The Company's policy on the remuneration of its directors, all of whom are non-executive, can be found on page 49.

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. In addition to these, details of the Company's anti-bribery and environmental and social responsibilities policies can be found on page 35.

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 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 on compliance with VCT regulations are also received at each Board meeting 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.

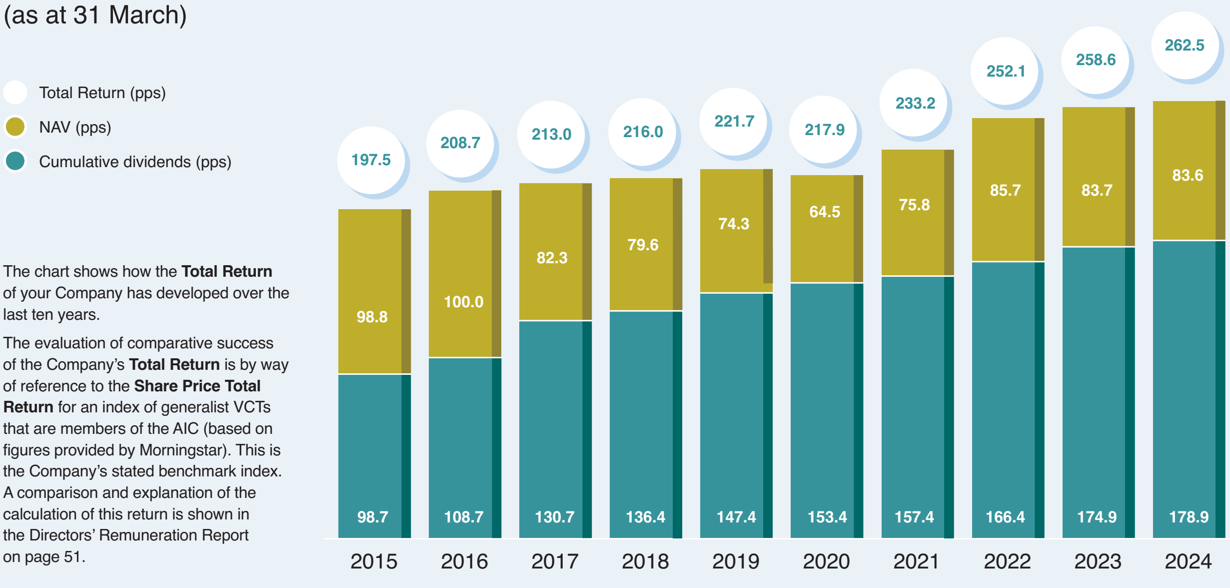
YFM Private Equity Limited has performed investment advisory/management, administrative and secretarial services for the Company since its inception on 28 February 1996. The principal terms of the agreement under which these services are performed are set out in note 3 to the financial statements.

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 nature falling within the Company's investment policies.

Key Performance Indicators

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

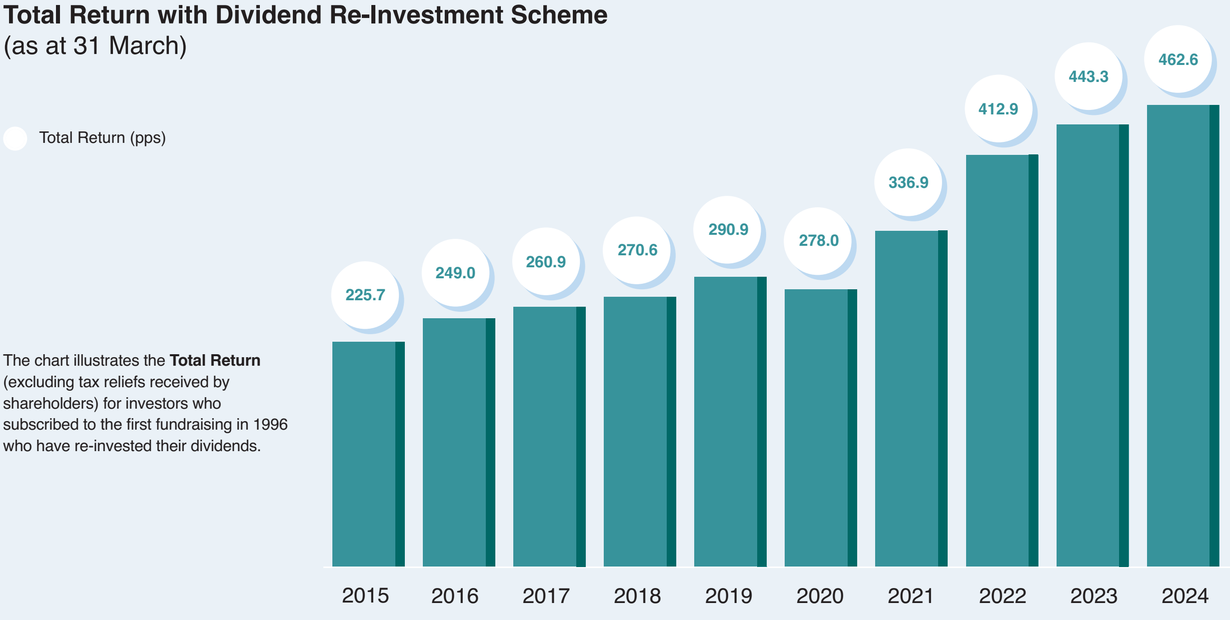
Total Return
(as at 31 March)



The chart 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 that 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 51.

Total Return with Dividend Re-Investment Scheme
(as at 31 March)



The chart 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.

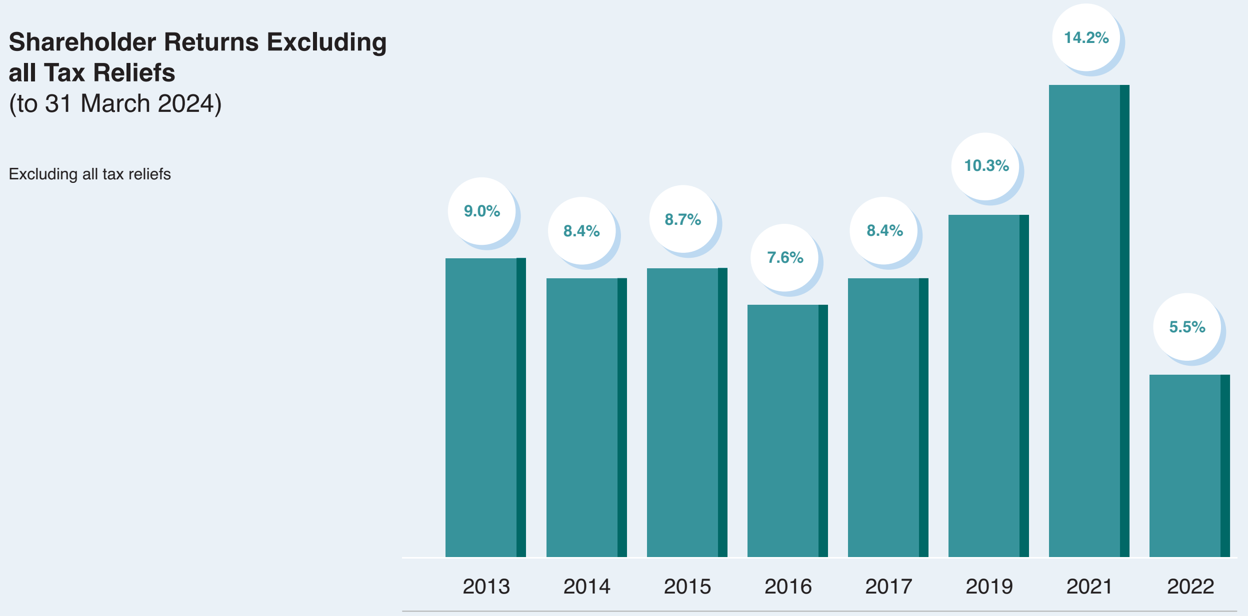
Key Performance Indicators (continued)

Shareholder Returns

The Board considers Total Return to be the primary measure of shareholder value. The IRR returns from the offers over the last ten years are set out below. IRR is the annual rate of return that equates the cost at the date of the original investment, with the value of subsequent dividends plus the audited 31 March 2024 Net Asset Value per share. This excludes the benefit of any initial tax relief.

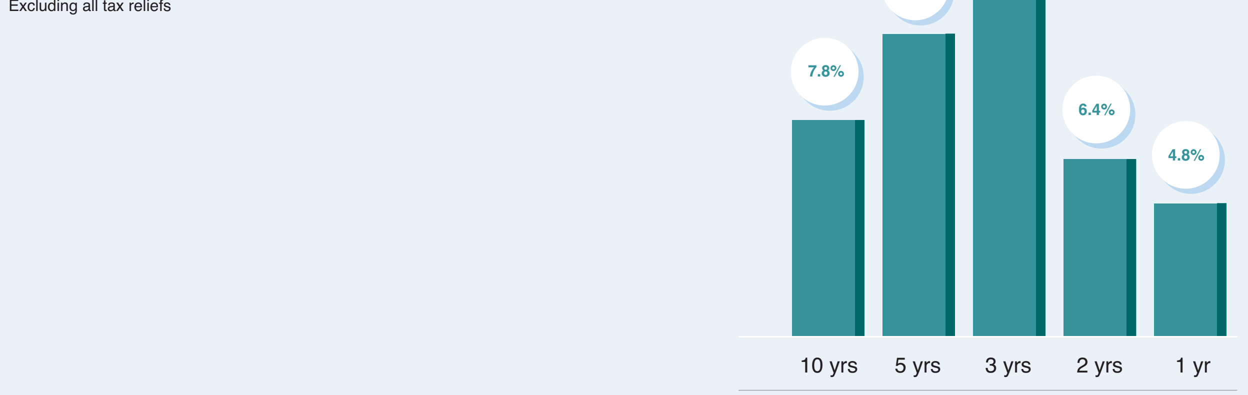
The IRRs shown are based on fundraisings and offer prices during the relevant calendar year whilst the second graph below shows specific financial periods to 31 March 2024. Note, there were no fundraisings in 2018 and 2020 and it is too soon to give meaningful returns for the fundraisings in 2023 and 2024.

Shareholder Returns Excluding all Tax Reliefs
(to 31 March 2024)



Set out below is the annualised return over 10, 5, 3, 2 and 1 years to 31 March 2024. The annualised return is calculated with reference to the cumulative dividends paid in the period plus the audited NAV at 31 March 2024, compared to the NAV at the beginning of the relevant period.

Annualised return p.a. over 10, 5, 3, 2 and 1 year periods
(to 31 March 2024)



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 2024 (%)	Year to 31 March 2023 (%)
Ongoing Charges figure*	**1.85**	2.12

* Alternative Performance Measure.

Shareholders benefit from the Company's agreement with the Manager to pay a lower level of management fee of 1 per cent on surplus cash. The Company's ongoing charges ratio is one of the lowest in the VCT 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 on page 71. 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 the 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.

Key Performance Indicators (continued)

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.

In October 2022 the Company cancelled the balance of its Share Premium, £63.6 million, of which £30.0 million is now distributable. The remaining £33.6 million will become distributable over the period to 1 April 2026, as set out on page 63.

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.

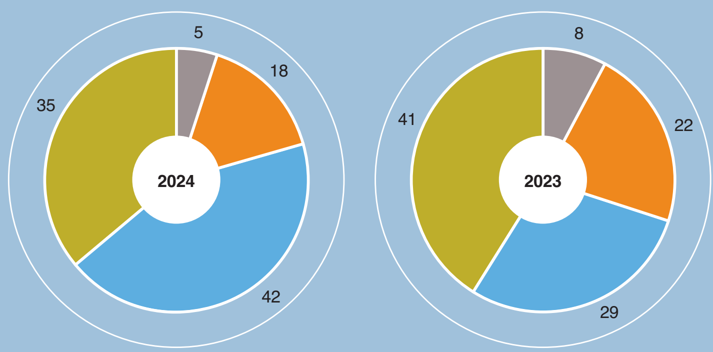
Wherever possible, the Company self-assures that an investment is a Qualifying Investment, subject to the receipt of professional advice.

Portfolio Structure and Analysis

Portfolio Structure

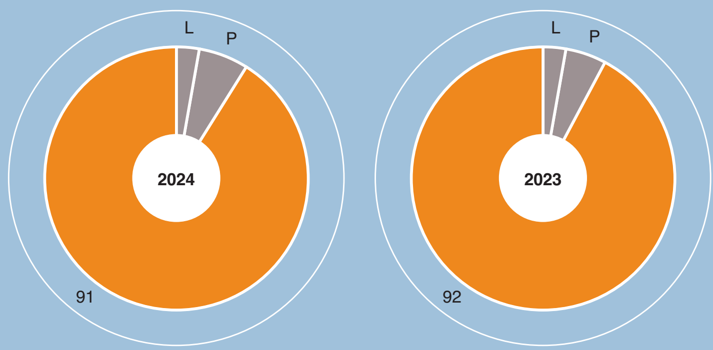
The broad range of the portfolio is illustrated below, with 35 per cent of the portfolio valuation being held for more than five years, while 93 per cent is valued at cost or above. 9 per cent of the portfolio value is held in loans and preference shares, and loans account for only 3 per cent of the value.

AGE OF INVESTMENTS (%)



- Less than 1 year
- Between 1 and 3 years
- Between 3 and 5 years
- Greater than 5 years

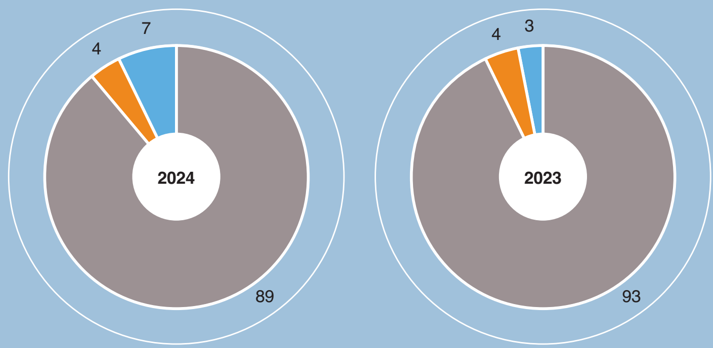
INVESTMENT INSTRUMENT (%)



- L Loan
- P Preference shares
- Ordinary shares

} 2024 - 9%
2023 - 8%

VALUE COMPARED TO COST (%)



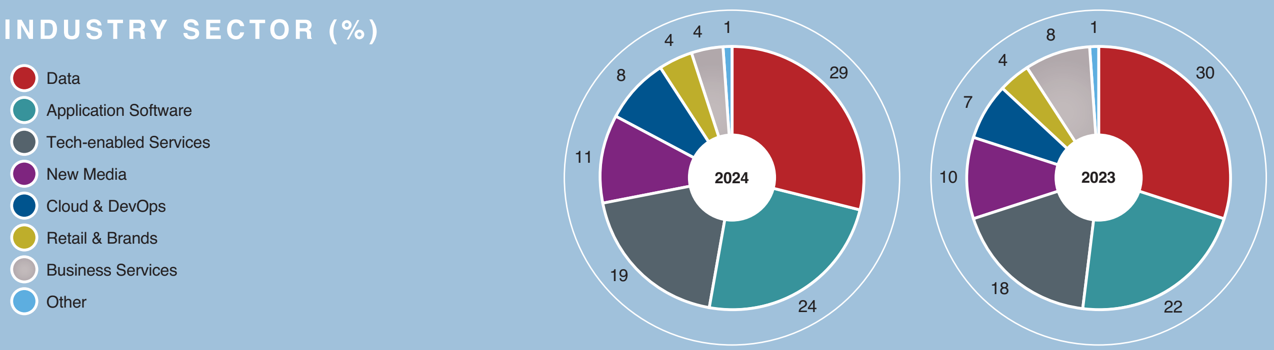
- Value above cost
- At cost
- Value below cost

Portfolio Structure and Analysis (continued)

Portfolio Analysis

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

INDUSTRY SECTOR (%)



Investment Review

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 2023	123.4	4.0	127.4
Additions	9.1	0.3	9.4
Disposal proceeds	(16.5)	(4.1)	(20.6)
Valuation movement	10.6	(0.2)	10.4
Closing fair value at 31 March 2024	**126.6**	**-**	**126.6**
Accrued income	2.1	-	2.1
Financial assets - investments	**128.7**	**-**	**128.7**

At 31 March 2024 the portfolio was valued at £126.6 million, representing 57.6 per cent of net assets (78.6 per cent at 31 March 2023). Cash and cash equivalents at 31 March 2024 of £89.8 million represented 40.9 per cent of net assets (18.0 per cent at 31 March 2023).

The Portfolio

£126.6 million
Fair value of the portfolio
(2023: £123.4 million)

25
Number of portfolio companies with an investment value of more than £1.0 million
(2023: 27)

£1.1 million
Income from the portfolio
(2023: £1.4 million)

£9.1 million
Level of investment
(2023: £28.4 million)

£10.6 million
Return from the portfolio
(2023: £14.2 million)

The portfolio showed robust performance in the period, adding £10.6 million of value on the opening fair value of £123.4 million. The composition of investments continues to show its dynamism, with £9.1 million invested in the period and cash proceeds of £16.5 million received.

Fair value changes

Table B: Gain from Investment Portfolio

	£million	%
Gain in fair value from the portfolio	6.0	57
Gain on disposal over opening value from the portfolio	4.6	43
Gain arising from the portfolio	**10.6**	**100**
Loss on disposal of listed investment funds	(0.2)	
Valuation movement from the investment portfolio	**10.4**	
Deferred consideration from prior year realisation	0.1	
Gain arising from the investment portfolio	**10.5**	

Of the £10.6 million gain from the portfolio in the year, £4.6 million arose from investments which were realised, including Displayplan (£1.7 million), Macro Art (£0.9 million), the partial realisation of KeTech (£0.9 million), and E2E (£0.8 million). Further details can be found in the Chair's Statement and note 7 to the financial statements.

Investment Review (continued)

The ongoing portfolio delivered a net value gain of £6.0 million in the year, which arose across a range of companies, including Unbiased, Matillion, SharpCloud, Traveltek and Vypr.

Some decreases in value have been seen, notably Outpost, Relative Insight and Wooshii; as with all portfolio companies, the Manager continues to work closely with the companies' management teams to aid their progress and growth.

Other Significant Investment Movements

Investments

During the year ended 31 March 2024, the Company invested £9.1 million across 8 companies.

Two new companies were added to the portfolio, receiving aggregate investment of £4.9 million; while a further £4.2 million was invested across six existing portfolio companies. The analysis of these investments is shown in Table C.

Table C: Investments

Company	Investments made New £million	 Follow-on £million	Total £million
Workbuzz	2.6	-	2.6
GEEIQ	2.3	-	2.3
Outpost	-	1.3	1.3
Relative Insight	-	1.2	1.2
Force24	-	0.7	0.7
Vuealta	-	0.5	0.5
Elucidat	-	0.3	0.3
SharpCloud	-	0.2	0.2
Portfolio	**4.9**	**4.2**	**9.1**
Listed investment funds			0.3
Total additions in the year			**9.4**

Disposal of Investments

As set out in Table D below, during the year to 31 March 2024 the Company received proceeds from disposals of £20.7 million, a net gain of £4.5 million over the opening carrying value at the beginning of the year, and an overall net gain of £10.5 million over cost. This included the successful realisations of Displayplan, E2E, Macro Art, Ncam and KeTech (partial). Further details are given in the Chair's statement on page 5.

Table D: Disposal of Investments

	Net proceeds from sale of investments £million	Opening value 31 March 2023 £million	Gain/(loss) on opening value £million
Portfolio	16.5	11.9	4.6
Deferred consideration	0.1	-	0.1
Listed investment funds*	4.1	4.3	(0.2)
Total investment disposals	**20.7**	**16.2**	**4.5**

* opening value includes additions of £0.3 million made during the year.

Further analysis of all investments sold in the year can be found in note 7 to the financial statements on page 79.

Investment Portfolio Composition

As at 31 March 2024, the portfolio was valued at £126.6 million, comprising wholly of unquoted investments. An analysis of the movements in the year is shown on page 76.

The portfolio has 25 investments valued above £1.0 million, with the single largest investment, Matillion, representing 12.5 per cent of the NAV.

The charts on pages 15 and 16 show the diversity of the portfolio, split by industry sector, investment instrument, age of investment and the valuation compared to cost.

Under VCT legislation, it is not possible to deposit funds for longer than seven days, which means that cash deposits must be available on very short notice. The Company takes an active approach to cash management, whilst pursuing its primary aim of capital preservation. This is effected through the use of a pool of money market funds (which can be converted back to cash with immediate notice) and cash deposits held with tier one banking institutions. £2.8 million of income was earned from money market funds and bank deposits during the year. At 31 March 2024, the Company was achieving a weighted average return on liquid assets of 4.8 per cent.

During the year, the Company realised its small diversified quoted portfolio of listed investment funds, managed by Brewin Dolphin, held as part of its previous treasury operations. This sale generated proceeds of £4.1 million.

Valuation Policy

Unquoted investments are valued in accordance with both IFRS 13 'Fair Value Measurement' and International Private Equity and Venture Capital Guidelines, December 2022 edition (IPEV Guidelines).

Initially, at the first quarter-end following investment, 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.

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

Table E on page 20 shows the value of investments within each valuation category as at 31 March 2024; no investments are valued using discounted cash flow methodologies.

With continued investment in earlier stage businesses that are investing for growth, the majority of valuations continue to be based on revenue multiples.

Investment Review (continued)

Table E: Valuation Policy

	Valuation £million	2024 % of portfolio by value	2023 % of portfolio by value
Revenue multiple	114.6	91	79
Earnings multiple	9.2	7	13
Net assets, reviewed for change in fair value	2.5	2	2
Cost or price of recent investment, reviewed for change in fair value	0.3	-	4
Sale proceeds	-	-	2
Total	**126.6**	**100**	**100**

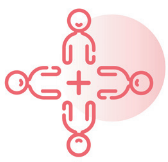
Sustainable Investment and Environmental, Social and Governance ("ESG") Management

Whilst not Impact investors, 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 United Nations' 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 developed and integrated the following ESG management processes:

> **Pre-investment Phase:**

Structured processes at the pre-investment stage to identify areas of potential ESG improvement and risk 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 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 own ESG KPI data collation process. It has 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.

Investment Review (continued)

Annual company specific ESG performance progress report

The annual data collection allows a detailed report to be prepared on each company's progress across a broad range of ESG KPI's. 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, allowing the Manager to identify and agree programmes of action with each business.

2023 ESG KPI Report for Investments held in YFM's VCT funds

Growing our economy

> £74 million of R&D investment during 2023

> £115 million of export sales achieved in 2023

> 750 new jobs were created from date of investment to 2023 representing a 50 per cent increase

Improving our society

> 95 per cent of companies were independently chaired in 2023

> 45 per cent of companies had female directors on boards, with 15 per cent having a female CEO/MD

> 65 per cent of businesses had a designated board member with responsibility for improving ESG issues

Valuing our people

> 35 per cent of the portfolio workforce was female in 2023

> 60 per cent had mental wellbeing programmes in place and 80 per cent held regular employee engagement surveys

> 43,000 hours of non-statutory training was given to employees

Protecting our environment

> 20 per cent formally measure their carbon footprint

> 10 per cent offset all or a defined portion of their carbon impact

> 15 per cent formally set a target date and strategy for achieving net zero carbon emissions

Summary and Outlook

The portfolio continues to deliver good underlying revenue growth, while also demonstrating good levels of capital efficiency over the past 12 months. Portfolio companies continue to navigate difficult macroeconomic conditions well, with the portfolio well placed to benefit from a hoped for improvement in the economic environment in 2024.

We continue to see a good 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 continuing support in the Company's 2023/24 fundraising, and are looking forward to putting the funds raised to work.

Eamon Nolan
YFM Private Equity Limited

14 June 2024

Case Studies

unbiased.co.uk

AMOUNT INVESTED

£5.6 million

THE BUSINESS AT INVESTMENT

A UK based lead generation platform connecting financial advisors with customers seeking investment, mortgage and life insurance advice.

THE INVESTMENT

Initial growth capital funding to enhance the platform and broaden the service offering while at the same time increasing consumer awareness of the marketplace.

Second funding round in 2022 sought to capture the success of the UK business and provide investment to scale into the US.

RATIONALE FOR THE DEAL

A leader in its field, with the opportunity to build additional services, moving into other market sectors. Further investment provided capital to expand into the US seeking to take share in a much larger market where their product has genuine USPs.

SINCE INVESTMENT

Unbiased has demonstrated the ability to grow its offering into multiple service verticals, increasing the value of its offering, expanding its reach to over 27,000 IFAs to help all access financial advice. It is now seeing the early stages of success in the US, with advisors paying to subscribe to the platform and the company delivering converted leads.

SharpCloud

AMOUNT INVESTED

£3.6 million

THE BUSINESS AT INVESTMENT

A visualisation tool to enable better business collaboration.

THE INVESTMENT

Growth capital to enable further growth and US expansion.

RATIONALE FOR THE DEAL

The investment backs the founders and management team to capitalise on the opportunity to expand within its already impressive current customer base, to continue to add new customer logos, and to take advantage of the US opportunity. Their product addresses a known problem within a large market.

SINCE INVESTMENT

The business has strengthened its product-market fit and is gaining traction with its road-mapping application within the High Value Manufacturing sector. The business continues to gain momentum on expanding key accounts like Rolls-Royce, Babcock and Volvo, and continues to add new logos, like Zeiss and ThermoFisher. The business has strengthened its management team and established a sales team in the US.

Portfolio Summary

at 31 March 2024

Page No	Name of company	Date of initial investment	Location	Industry Sector	Amount invested £000	Valuation at 31 March 2024 £000	Recognised income/ proceeds to date £000	Realised & unrealised value to date* £000
27	Matillion Limited	Nov-16	Manchester	Data	2,666	27,415	7,071	34,486
27	Unbiased EC1 Limited	Dec-19	London	Tech-enabled Services	5,596	12,829	-	12,829
28	Outpost VFX Limited	Feb-21	Bournemouth	New Media	5,750	9,518	53	9,571
28	Elucidat Ltd	May-19	Brighton	Application Software	4,260	5,933	347	6,280
28	Force24 Ltd	Nov-20	Leeds	Application Software	3,900	5,835	41	5,876
29	SharpCloud Software Limited	Oct-19	London	Data	3,577	5,375	-	5,375
29	Vypr Validation Technologies Limited	Jan-21	Manchester	Tech-enabled Services	3,300	5,317	-	5,317
29	ACC Aviation Group Limited	Nov-14	Reigate	Business Services	2,068	4,725	5,280	10,005
30	Wooshii Limited	May-19	London	New Media	4,644	4,151	683	4,834
30	Quality Clouds Limited	May-22	London	Cloud & DevOps	3,916	4,019	-	4,019
	DrDoctor (via ICNH Ltd)	Feb-23	London	Application Software	3,565	3,565	-	3,565
	Workbuzz Analytics Limited	Jun-23	Nottingham	Tech-enabled Services	2,577	3,447	-	3,447
	Traveltek Group Holdings Limited	Oct-16	East Kilbride	Application Software	1,716	3,401	975	4,376
	AutomatePro Limited	Dec-22	London	Cloud & DevOps	2,225	3,229	-	3,229
	Tonkotsu Limited	Jun-19	London	Retail & Brands	2,388	3,090	-	3,090
	GEEIQ (via Checkpoint GG Limited)	Sep-23	London	Data	2,358	2,827	-	2,827
	Vuealta Holdings Limited	Sep-21	London	Tech-enabled Services	3,580	2,459	4,619	7,078
	Summize Limited	Oct-22	Manchester	Application Software	1,800	2,421	-	2,421
	Frescobol Carioca Ltd	Mar-19	London	Retail & Brands	1,800	2,072	-	2,072
	Plandek Limited	Oct-22	London	Cloud & DevOps	2,070	2,070	-	2,070
	Xapien (via Digital Insight Technologies Ltd)	Mar-23	London	Application Software	1,740	2,014	-	2,014
	Biorelate Limited	Nov-22	Manchester	Application Software	1,560	1,691	-	1,691
	Panintelligence (via Paninsight Limited)	Nov-19	Leeds	Data	1,500	1,606	-	1,606
	Relative Insight Limited	Mar-22	Lancaster	Tech-enabled Services	4,200	1,598	-	1,598
	KeTech Technology Holdings Limited	Nov-15	Nottingham	Tech-enabled Services	2,000	1,176	4,059	5,235
	Arcus Global Limited	May-18	Cambridge	Application Software	3,075	952	332	1,284
	Sipsynergy (via Hosted Network Services Limited)	Jun-16	Hampshire	Cloud & DevOps	2,654	848	1	849
	Other investments £0.75 million and below				8,077	3,009	6,807	9,816
	Total unquoted investments				**88,562**	**126,592**	**30,268**	**156,860**
	Full disposals to date				80,135	-	167,596	167,596
	Total portfolio				**168,697**	**126,592**	**197,864**	**324,456**

* represents recognised income and proceeds received to date plus the unrealised valuation at 31 March 2024.

Summary of Portfolio Movement

since 31 March 2023

Name of Company	Investment valuation at 31 March 2023 £000	Disposal proceeds £000	Additions including capitalised income £000	Valuation gains including profits (losses) on disposal £000	Investment valuation at 31 March 2024 £000
Unbiased EC1 Limited	9,976	-	-	2,853	12,829
Matillion Limited	25,193	-	-	2,222	27,415
SharpCloud Software Limited	3,404	-	170	1,801	5,375
Displayplan Holdings Limited	7,901	(9,636)	-	1,735	-
Traveltek Group Holdings Limited	2,049	-	-	1,352	3,401
Vypr Validation Technologies Limited	4,051	-	-	1,266	5,317
Arcus Global Limited	239	(300)	-	1,013	952
Macro Art Holdings Limited	558	(1,484)	-	926	-
Workbuzz Analytics Limited	-	-	2,577	870	3,447
KeTech Holdings Limited/KeTech Technology Holdings Limited	1,786	(1,461)	-	851	1,176
E2E Engineering Limited	1,200	(1,960)	-	760	-
AutomatePro Limited	2,557	-	-	672	3,229
Other investments £0.75 million and below	2,346	-	-	663	3,009
Summize Limited	1,885	-	-	536	2,421
GEEIQ (via Checkpoint GG Limited)	-	-	2,358	469	2,827
Tonkotsu Limited	2,666	-	-	424	3,090
Force24 Ltd	4,757	-	750	328	5,835
Xapien (via Digital Insight Technologies Ltd)	1,740	-	-	274	2,014
Biorelate Limited	1,570	-	-	121	1,691
Panintelligence (via Paninsight Limited)	1,500	-	-	106	1,606
Frescobol Carioca Ltd	1,995	-	-	77	2,072
Ncam Technologies Limited	1,659	(1,682)	-	23	-
DrDoctor (via ICNH Ltd)	3,565	-	-	-	3,565
Plandek Limited	2,070	-	-	-	2,070
Quality Clouds Limited	4,074	-	-	(55)	4,019
Vuealta Holdings Limited/Vuealta Group Limited	2,126	-	535	(202)	2,459
Sipsynergy (via Hosted Network Services Limited)	1,464	-	-	(616)	848
Elucidat Ltd	6,277	-	300	(644)	5,933
ACC Aviation Group Limited	5,398	-	-	(673)	4,725
Outpost VFX Limited	9,420	-	1,250	(1,152)	9,518
Relative Insight Limited	2,794	-	1,200	(2,396)	1,598
Wooshii Limited	7,141	-	-	(2,990)	4,151
Total portfolio	**123,361**	**(16,523)**	**9,140**	**10,614**	**126,592**
Deferred consideration*	-	(96)	-	96	-
Total	**123,361**	**(16,619)**	**9,140**	**10,710**	**126,592**
Accrued income					**2,070**
Financial assets - investments					**128,662**

* Wakefield Acoustics (trading as Malvar Engineering Limited), see note 7.

Investee Company Information

Data
Fair Value
£37.2m
Number of companies
4

Application Software
Fair Value
£30.0m
Number of companies
10

Tech-enabled Services
Fair Value
£23.4m
Number of companies
5

New Media
Fair Value
£14.3m
Number of companies
3

Cloud & DevOps
Fair Value
£10.4m
Number of companies
4

Retail & Brands
Fair Value
£5.4m
Number of companies
2

Business Services
Fair Value
£4.7m
Number of companies
2

Advanced Manufacturing
Fair Value
£0.3m
Number of companies
1

Other
Fair Value
£0.9m
Number of companies
5

Portfolio

The top 10 investments had a combined value of £85.1 million, 67.2 per cent of the total portfolio.

Matillion Limited

Manchester

Matillion is a leading provider of cloud-based data extraction and transformation tools. The company helps businesses utilise their data in the cloud for insight and decision making and is headquartered in Manchester with offices in Denver and Seattle.

www.matillion.com

Sector:

Date of initial investment:	November 2016
Amount invested:	£2,666,000
Valuation at 31 March 2024:	£27,415,000
Recognised income/proceeds to date:	£7,071,000
Return to date*:	£34,486,000
Equity held:	3.5%
Valuation basis:	Revenue multiple

Year ended 31 January	2023 $million	2022[1] $million
Revenue	**84.04**	57.26
LBITA	**(66.08)**	(32.33)
Loss before tax	**(64.44)**	(32.58)
Retained losses	**(133.69)**	(69.28)
Net assets	**171.93**	226.96

1. 13 months to 31 January 2022

Unbiased EC1 Limited

London

Unbiased is a technology-enabled marketplace that connects consumers to Independent Financial Advisers, Mortgage Brokers and Accountants. The company has a strong, well-established position and brand awareness in the IFA market with a high level of recurring subscription income from the thousands of professionals in their network. The proven UK model is now being launched into the much larger US financial advisor market.

www.unbiased.co.uk

Sector:

Date of initial investment:	December 2019
Amount invested:	£5,596,000
Valuation at 31 March 2024:	£12,829,000
Recognised income/proceeds to date:	£nil
Return to date*:	£12,829,000
Equity held:	18.5%
Valuation basis:	Revenue multiple

Year ended 30 September	2023 £million	2022 £million
Revenue	**10.25**	8.00
LBITA	**(2.81)**	(0.43)
Loss before tax	**(2.74)**	(0.42)
Retained losses	**(4.75)**	(2.07)
Net assets	**4.20**	2.52

* Represents recognised income and proceeds received to date, plus the unrealised valuation at 31 March 2024.

Outpost VFX Limited
Bournemouth

Outpost is a visual effects firm best known for their striking environments, seamless digital makeup and photoreal creatures. The company is headquartered in Bournemouth, with studios in London, Los Angeles, Montreal and Mumbai. An impressive client list includes global streaming platforms such as Netflix, Amazon and Apple, and major Hollywood studios.

www.outpost-vfx.com

Sector:

Date of initial investment:	February 2021
Amount invested:	£5,750,000
Valuation at 31 March 2024:	£9,518,000
Recognised income/proceeds to date:	£53,000
Return to date*:	£9,571,000
Equity held:	17.3%
Valuation basis:	Revenue multiple
Interest:	£30,082 (2023 £22,603)

Year ended 31 March	2023 £million	2022 £million
Revenue	**40.25**	19.08
LBITA	**(4.04)**	(0.02)
Loss before tax	**(4.46)**	(0.41)
Retained losses	**(8.96)**	(4.03)
Net (liabilities) assets	**(0.69)**	0.89

Elucidat Ltd
Brighton

Elucidat provides a cloud based e-learning authoring platform which allows its customers to drive down the cost of producing business-critical training. The company has impressive customer retention and a client list including Tesco, Target and Walmart.

www.elucidat.com

Sector:

Date of initial investment:	May 2019
Amount invested:	£4,260,000
Valuation at 31 March 2024:	£5,933,000
Recognised income/proceeds to date:	£347,000
Return to date*:	£6,280,000
Equity held:	15.1%
Valuation basis:	Revenue multiple
Interest:	£nil (2023 £21,699)
Dividends:	£281,589 (2023 £65,753)

Year ended 31 December	2022 £million	2021 £million
Revenue	**5.63**	5.11
LBITA	**(0.84)**	(0.06)
Loss before tax	**(1.27)**	(0.77)
Retained losses	**(2.79)**	(1.72)
Net assets	**3.83**	1.80

Force24 Ltd
Leeds

Force24 provides cloud-based personalised marketing automation technology trusted by over 350 businesses including household brands such as Michelin, Tarmac and Children In Need.

www.force24.co.uk

Sector:

Date of initial investment:	November 2020
Amount invested:	£3,900,000
Valuation at 31 March 2024:	£5,835,000
Recognised income/proceeds to date:	£41,000
Return to date*:	£5,876,000
Equity held:	19.7%
Valuation basis:	Revenue multiple
Dividends:	£41,000 (2023 £nil)

Year ended 31 December	2022 £million	2021 £million
Revenue	**4.80**	4.55
LBITA	**(1.28)**	(1.96)
Loss before tax	**(1.68)**	(2.26)
Retained losses	**(3.02)**	(1.83)
Net assets	**2.25**	1.97

* Represents recognised income and proceeds received to date, plus the unrealised valuation at 31 March 2024.

SharpCloud Software Limited
London

SharpCloud provides a leading decision making platform for managers. It provides the ability to aggregate fragmented data into easily interpretable top-down output that shortens decision making cycles and eliminates decision waste.

www.sharpcloud.com

Sector:

Date of initial investment:	October 2019
Amount invested:	£3,577,000
Valuation at 31 March 2024:	£5,375,000
Recognised income/proceeds to date:	£nil
Return to date*:	£5,375,000
Equity held:	19.5%
Valuation basis:	Revenue multiple

Year ended 31 December	**2022 £million**	2021 £million
Revenue	**1.80**	1.42
LBITA	**(0.76)**	(1.64)
Loss before tax	**(1.05)**	(1.83)
Retained losses	**(3.38)**	(2.45)
Net assets	**3.11**	1.54

Vypr Validation Technologies Limited
Manchester

Vypr is a cloud-based data validation platform providing industry-leading consumer intelligence for use in all aspects of product development including packaging, pricing and naming.

www.vyprclients.com

Sector:

Date of initial investment:	January 2021
Amount invested:	£3,300,000
Valuation at 31 March 2024:	£5,317,000
Recognised income/proceeds to date:	£nil
Return to date*:	£5,317,000
Equity held:	19.3%
Valuation basis:	Revenue multiple

Year ended 31 March	**2023 £million**	2022 £million
Revenue	**2.77**	2.07
LBITA	**(1.68)**	(1.20)
Loss before tax	**(1.97)**	(1.49)
Retained losses	**(3.42)**	(1.48)
Net assets	**2.49**	1.05

ACC Aviation Group Limited
Reigate

ACC Aviation is the market leader in airline-to-airline "wet lease" brokerage and associated services. The company also provides a range of consultancy and specialist charter services to clients via its global office network.

www.accaviation.com

Sector:

Date of initial investment:	November 2014
Amount invested:	£2,068,000
Valuation at 31 March 2024:	£4,725,000
Recognised income/proceeds to date:	£5,280,000
Return to date*:	£10,005,000
Equity held:	27.6%
Valuation basis:	Earnings multiple

Year ended 31 December*	**2022 £million**	2021 £million
Revenue	**72.76**	41.84
EBITA	**2.70**	0.84
Loss before tax	**(0.72)**	(2.23)
Retained profits	**8.08**	9.71
Net assets	**8.10**	9.73

* information for NEWACC (2018) Limited shown

* Represents recognised income and proceeds received to date, plus the unrealised valuation at 31 March 2024.

Wooshii Limited
London

Wooshii is a global video production agency using technology to manage a geographically distributed network of creative professionals. The company offers clients the convenience and quality of a traditional video marketing agency combined with cutting edge video management tools. It has a blue-chip client list including Coca Cola, Google, Microsoft and Amazon. Wooshii has also developed software tools to enable its customers to extract greater value from their historic libraries.

www.wooshiivideoagency.com

Sector:

Date of initial investment:	May 2019
Amount invested:	£4,644,000
Valuation at 31 March 2024:	£4,151,000
Recognised income/proceeds to date:	£683,000
Return to date*:	£4,834,000
Equity held:	19.9%
Valuation basis:	Revenue multiple
Dividends:	£184,019 (2023 £164,700)

Year ended 31 March	**2023 £million**	2022 £million
Revenue	**6.25**	4.30
LBITA	**(1.53)**	(1.18)
Loss before tax	**(1.83)**	(1.45)
Retained losses	**(7.30)**	(5.74)
Net liabilities	**(5.40)**	(3.84)

Quality Clouds Limited
London

Quality Clouds provides a leading SaaS tool for the control and governance of critical SaaS platforms, with a focus on ServiceNow and Salesforce. The company operates from London, Barcelona and the US, with a client list that includes BP, Linde and JP Morgan Chase.

www.qualityclouds.com

Sector:

SaaS by Nature, Quality by Design

Date of initial investment:	May 2022
Amount invested:	£3,916,000
Valuation at 31 March 2024:	£4,019,000
Recognised income/proceeds to date:	£nil
Return to date*:	£4,019,000
Equity held:	13.2%
Valuation basis:	Revenue multiple

Year ended 31 December	**2022 £million**	2021 £million
Revenue	**1.59**	1.04
LBITA	**(2.25)**	(1.50)
Loss before tax	**(2.31)**	(1.61)
Retained losses	**(6.21)**	(4.14)
Net liabilities	**(0.05)**	(2.44)

* Represents recognised income and proceeds received to date, plus the unrealised valuation at 31 March 2024.

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 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 8: "Audit, Risk and Internal Control" of the AIC Code. Details of the Company's internal controls are contained in the Corporate Governance Internal Control section on pages 47 and 48 and further information on exposure to risks, including those associated with financial instruments, can be found in note 16 of the financial statements.

The Board carries out a regular review of the risk environment in which the Company operates, together with changes to the operational environment. The Board also seeks to identify emerging risks which might impact on the Company. In the period the most notable risks emerging have been:

> Geopolitical instability: geopolitical tensions, such as the conflicts in the Middle East and Ukraine can create uncertainty, disrupt global markets and create market volatility.

> Global trade: ongoing global trade tensions between major economies have the potential to disrupt global supply chains which could cause a slowdown in economic activity.

> Rising interest rates: whilst interest rates appear to be stabilising, higher interest rates can increase borrowing costs for businesses and consumers, potentially leading to reduced spending and investment, and ultimately economic growth.

The principal risks the Company faces are considered in more detail below.

Risk	Mitigation	Change
VCT Qualifying Status:		
A failure to meet the VCT qualifying criteria could result in the loss of approved VCT status. The loss of such approval could lead to investors losing the various tax benefits associated with VCT investments.	The Manager tracks the Company's VCT qualifying status on an ongoing and continual basis. Furthermore, external independent experts have been retained and report on the VCT qualifying status regularly throughout the year. The Manager reports to the Board on a quarterly basis. Further information on these requirements can be found under the heading "Compliance with VCT Legislative Tests" on pages 14 and 15.	No overall change in risk exposure.
Economic:		
Macroeconomic events such as geopolitical developments, external shocks and economic recession could adversely affect smaller companies' valuations, as they may be more vulnerable to changes in trading conditions or the sectors in which they operate. This could lead to a reduction in the Company's share price, resulting in capital losses for Shareholders.	The Board, in conjunction with the Manager, regularly assesses the resilience of the portfolio. The Company has a clear Investment Policy (summarised on page 9) and invests in a diverse portfolio of companies across a range of sectors, which helps to mitigate against the impact on any one sector. The Manager also seeks to maintain adequate liquidity to ensure it can provide follow-on investment to those portfolio companies which require funding, when supported by the individual investment case.	Increased. Growing international tensions with the potential to deter investment, disrupt markets and re-awaken inflationary pressures.

Risk Factors (continued)

Risk	Mitigation	Change
Investment Performance:		
The Company invests in small and medium-sized VCT qualifying companies, which, by their nature, entail a higher level of risk and shorter cash runway than investments in larger quoted companies. Poor performance could reduce returns for shareholders through downward valuations.	The Board comprises individuals experienced in assessing suitable investment opportunities. The Manager has significant experience, expertise and a strong track record of investing in early-stage unquoted companies. The Manager has a rigorous and robust formal process in selecting new companies which includes appropriate due diligence and approval by an Investment Committee made up of the senior members of the Manager's investment team.	No overall change in risk exposure.
Strategy:		
The Board fails to set appropriate strategic objectives and fails to monitor the Company's implementation of the strategy, which leads to poor performance.	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. It also reviews compliance of the Manager with the stated investment strategy.	No overall change in risk exposure.
Legislative & Regulatory:		
The Company fails to comply with applicable laws and regulations including VCT Rules, UK Listing Authority Rules, AIC Code on Corporate Governance, Stewardship Code, Companies Act, Bribery Act, Market Abuse Regulations, data protection rules, Criminal Finances Act and relevant Taxes Acts and as a result loses its approval as a VCT. Changes to the UK legislation, in particular relating to the VCT Rules, could have an adverse effect on the Company's ability to achieve satisfactory investment returns.	The Manager ensures that it has suitably qualified members of staff who are experienced with regulatory requirements and relevant accounting standards. The Manager and the Company Secretary have procedures in place to ensure recurring Listing Rules requirements are met. The Board and Manager review corporate governance, regulatory legislative change and political developments on a continual basis and seek additional advice as and when required. The Manager is a member of the Venture Capital Trust Association which engages with the Government to help shape future legislation.	No overall change in risk exposure. Albeit a slight reduction in this risk, as a result of the ten year extension of the VCT legislation sunset clause to 6 April 2035, continuing shareholders' rights to Income Tax relief on newly issued shares. The extension has been agreed by HMRC, however this needs to be ratified by the EU.

Risk	Mitigation	Change
Operational:		
Key service providers, such as the Manager, have inadequate procedures for the identification, evaluation and management of risks putting the Company's assets and data at risk.	The Board regularly reviews the system of internal controls, both financial and non-financial operated by the Company and the Manager. These include controls designed to ensure that the Company's assets are safeguarded and proper accounting records are maintained.	No overall change in risk exposure.
Cyber Security and Information Technology: A failure in IT systems and controls might lead to business interruption, loss of data, the inability of the Manager to provide accurate reporting and monitoring or the loss of Company records.	The Manager has in place significant cybersecurity controls, including multifactor authentication, email protection software, monitored firewalls and regularly updated electronic devices. Staff at the Manager regularly receive training in relation to their cybersecurity obligations. The Manager is Cyber Essentials Plus certified. Due diligence is conducted on other service providers, including a review on their controls for information security.	No overall change on balance, although cyber threat remains a significant risk area faced by all service providers, with ever increasing sophistication of attacks.
Liquidity:		
a. The Company may not have sufficient liquidity available to meet its financial obligations. b. The VCT invests in smaller unquoted companies, which by their nature are illiquid, therefore they may be difficult to realise, at fair market value, at short notice.	The Company's overall liquidity risks and cashflow forecasts 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 it to identify the optimal point at which to seek a sale. 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.	Increased. A small increase to reflect the potential impacts of economic uncertainty, including the impacts on fundraising and ability to exit investments.

Other Matters

Section 172 Statement

This Section 172 Statement should be read in conjunction with the other contents of the Strategic Report, on pages 5 to 35.

Section 172 of the Companies Act 2006 requires that a director must act in a 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 held two Investor Workshops during the year. An in-person workshop was held on 20 June 2023 and an online webinar was hosted on 27 November 2023. Both were well attended.

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.

After carefully considering its funding needs, on 20 September 2023 the Company issued a prospectus, alongside British Smaller Companies VCT2 plc, to raise up to £90 million in aggregate for the 2023/24 tax year.

During the year the Board kept its arrangements for dividends, share buy-backs and the dividend re-investment scheme under constant review. Normal dividends totalling 4.0 pence per ordinary share were paid in the year ended 31 March 2024.

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.

Employees

The Company has no employees. The Board is composed of four 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.

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, which recognises the importance of its environmental responsibilities and is a signatory of the United Nations' Principles for Responsible Investment.

More details of the work that the Manager has achieved in this area are set out on pages 20 to 22. 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 and corruption. The following is a summary of the controls in place:

> The Company conducts all 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 Company prohibits the offering, the giving, the solicitation or the acceptance of any bribe;

> The Company has communicated its Anti-Bribery & Corruption Policy to the Manager and its other service providers; and

> The Manager has its own Anti-Bribery & Corruption and Anti-Slavery Policies and monitors portfolio companies' compliance with their legal obligations.

The Strategic Report on pages 5 to 35 is approved by order of the Board.

Rupert Cook
Chair

14 June 2024

Directors

Rupert Cook

Adam Bastin

Jonathan Cartwright

Purvi Sapre

Rupert Cook

Chair – independent Non-Executive Director

(appointed to the Board 1 August 2017, appointed Chair on 16 September 2022) specialises in strategy and corporate development, with 30 years' experience of technology companies, including 20 years in corporate finance and investment. He has led multiple fundraisings, acquisitions and sales of technology businesses as well as having co-founded and built up his own consultancy and training business through to sale to a UK plc. Earlier in his career, he was a senior manager at Cap Gemini plc, Director of Advisory Services at Interregnum plc and Head of Technology M&A at goetzpartners corporate finance. As well as being an active angel investor, both in the UK and the US, Rupert is currently Chair of Overe Ltd and a non-executive director of Immersive Labs Ltd and Censornet Ltd.

Adam Bastin

Chair of the Investment Committee – independent Non-Executive Director

(appointed 11 September 2019) is currently EVP, Strategy & Corporate Development of Francisco Partners backed Keyloop, an automotive technology company, where he is responsible for strategic direction as well as the acquisition and integration of complementary businesses. Prior to that, Adam held the equivalent role at TA Associates-backed Unit4, an ERP software vendor and before that spent eight years leading acquisition and investments at Arm Limited, the world's largest semiconductor IP company. Previously Adam worked at BT Group and spent ten years in investment banking.

Adam therefore brings a well-developed network in the technology sector in the UK and internationally, and brings a wealth of experience of investing in, acquiring and selling smaller companies. Adam is an experienced M&A, corporate finance and investment professional, a qualified management accountant (CIMA), and has served on the boards of various early-stage technology companies.

Jonathan Cartwright

Chair of the Audit & Risk Committee and the Nominations and Remuneration Committee – independent Non-Executive Director

(appointed 1 October 2019) is a chartered accountant and has significant experience of the investment trust and VCT sectors and of serving on the boards of both public and private companies in executive and non-executive roles. He is a former Chair of Mobeus Income & Growth 4 VCT plc and of Columbia Threadneedle Income and Growth Investment Trust plc.

Purvi Sapre

Independent Non-Executive Director

(appointed 6 June 2022) is currently Chief Investment Officer of Sustainable Development Capital LLP, the Investment Manager of SDCL Energy Efficiency Income Trust plc "SEEIT". She is also the fund manager for SEEIT and is a member the Investment Committees across SDCL's funds. Purvi has over 20 years' investment experience in the UK and international capital markets, investing on behalf of debt, equity and impact investment funds, including in energy efficiency and renewable energy projects, across a range of financing structures.

Secretary
The City Partnership (UK) Limited
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH
Registered No: SC269164

Registered Office of the Company
5th Floor
Valiant Building
14 South Parade
Leeds
LS1 5QS

Registered No:
03134749

Directors' Report

For the year ended 31 March 2024

The directors present their report and audited financial statements of British Smaller Companies VCT plc ("the Company") for the year ended 31 March 2024.

Principal Activity

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

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

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

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

Business Performance and Future Prospects

A detailed and fair review of the Company's business, its development, its financial performance during and at the end of the financial year, and its future prospects is set out in the Strategic Report on pages 5 to 35. The principal risks and uncertainties the Company faces are detailed on pages 31 to 33.

The Board believes that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Results and Dividends

The Statement of Comprehensive Income is set out on page 60. The profit before and after taxation for the year amounted to £10,618,000 (2023: £12,237,000).

During the year the Company paid a total of £9,635,000 (2023: £15,844,000) in dividends totalling 4.0 pence per ordinary share (2023: 8.5 pence). A detailed review can be found in note 5 on page 74.

The directors have announced an interim dividend of 2.0 pence per ordinary share for the year ending 31 March 2025. The dividend will be paid on 26 July 2024 to shareholders on the register on 28 June 2024.

The net asset value per ordinary share at 31 March 2024 was 83.6 pence (2023: 83.7 pence). The transfer to and from reserves is given in the Statement of Changes in Equity on page 62.

Going Concern

The directors have carefully considered the issue of going concern in view of the Company's activities and associated risks. The Company has a well-diversified portfolio with businesses in a variety of sectors, many of which are well funded. Some portfolio companies may require additional funding in the near- to medium-term; the Company is well placed to provide this, where appropriate.

The Company has a significant level of liquidity, which was enhanced by the final allotment of the 2023/24 fundraising post-year-end, in April 2024. In addition, the Board has control over, and can flex as appropriate, the Company's major outgoings, which predominantly comprise investments, dividends and share buy-backs.

The directors have also assessed whether material uncertainties exist and their potential impact on the Company's ability to continue as a going concern; they have concluded that no such material uncertainties exist.

The directors have carefully considered the issue of going concern and are satisfied that the Company has sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report. As at 31 March 2024, the Company held cash balances and money market funds with a combined value of £89.8 million; this excludes £35.7 million received from the final allotment of the 2023/24 fundraising on 3 April 2024. Cash flow projections show the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash

Directors' Report (continued)

outflows in the form of share buy-backs and dividends. In the year ended 31 March 2024, the Company's costs and discretionary expenditures were:

	£000
Administrative expenses	3,947
Share buy-backs	2,869
Dividends (before DRIS)	9,635
Total	**16,451**

Taking all of the above into consideration, the directors are satisfied that the Company has sufficient resources to meet its obligations for at least 12 months from the date of this report and therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing the financial statements.

Statement on Long-term Viability

The AIC Code requires the Board to assess the Company's viability over an appropriate period. The directors believe that a period of three years is appropriate to assess the Company's viability because the Company is required to invest funds raised within this timeframe in order to retain its status as a VCT.

In making their assessment, the directors have reviewed the types of investment that the Company will be able to make under current VCT legislation and they believe that the existing portfolio and future investments will be able to deliver the Company's objective "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".

The directors have also taken into account the emerging and principal risks and their mitigation identified in the Strategic Report on pages 31 to 33, the nature of the Company's business, including its reserves of cash (including proceeds of £35.7 million following the final allotment of the 2023/24 fundraising on 3 April 2024), the potential of its venture capital portfolio to generate returns in the future and, as noted above, the ability of the directors to minimise the level of cash outflows, should this be necessary.

Taking into account the Company's current position and principal risks, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over that period.

Corporate Governance

The statement on corporate governance set out on pages 41 to 48 is included in the Directors' Report by reference.

Directors' and Officers' Liability Insurance

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

Provision of Information to the External Auditor

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

Share Capital

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

Buy-back and Issue of Ordinary Shares

Under the existing authority, which expires on the conclusion of the Company's Annual General Meeting in 2026 or on 14 September 2026, whichever is the later, the Company has the power to purchase shares up to 14.99 per cent of the Company's ordinary share capital as at 16 June 2023, being 36,161,754 ordinary shares.

During the year, the Company purchased 3,630,656 ordinary shares of 10 pence each in the market (as disclosed in the table on page 39), for aggregate consideration, including costs, of £2,869,000. These shares are held in treasury. The buy-back was in accordance with the Company's buy-back policy, and under the authorities granted by the shareholders at the general meetings held on 10 September 2020 and 14 September 2023. At 31 March 2024 25,638,421 shares were held in treasury, representing 8.9 per cent of the total issued share capital (including treasury shares) at that date.

The directors have unconditional authority to allot shares in the Company or to grant rights to subscribe for or to convert any security into ordinary shares in the

Company up to an aggregate nominal amount of £8,000,000 (equivalent to 80,000,000 shares), expiring on the conclusion of the Company's Annual General Meeting in 2024 or 14 September 2024, whichever is the later.

This authority will be replaced by a new authority to issue shares up to an aggregate nominal amount of £9,000,000 (equivalent to 90,000,000 shares) at this year's Annual General Meeting.

In addition, the directors have unconditional authority to allot shares and waive pre-emption rights in the Company in connection with the Company's Dividend Re-investment Scheme (DRIS), expiring on the conclusion of the Company's Annual General Meeting in 2024 or 14 September 2024, whichever is the later.

This authority will be replaced by a new authority to issue shares up to an aggregate nominal value of £2,000,000 (equivalent to 20,000,000 shares) at the forthcoming Annual General Meeting.

During the year to 31 March 2024, a total of 76,120,499 shares were issued from the Company's fundraising and 2,490,239 ordinary shares were issued under the Company's DRIS.

Buy-back of Shares

Date	Number of Ordinary shares of 10p bought back	Percentage of issued share capital at that date	Consideration paid per ordinary share (pence)
26 June 2023	451,965	0.19%	80.02
25 September 2023	1,065,966	0.44%	78.12
18 December 2023	975,567	0.40%	76.88
25 March 2024	1,137,158	0.43%	80.02

Capital Disclosures

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

> The Company's capital structure is summarised in note 11 to the financial statements. Each ordinary share carries one vote. There are no restrictions on voting rights or any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;

> There are no securities carrying special rights with regard to the control of the Company;

> The Company does not have an employee share scheme;

> The rules concerning the appointment and replacement of directors, amendments to the Articles of Association and powers to issue or buy-back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;

> With the exception of the Manager's Incentive Agreement, there are no agreements to which the Company is party that take effect, alter or terminate upon a change in control following a takeover bid; and

> There are no agreements between the Company and its directors providing for compensation for loss of office that may occur because of a takeover bid.

Environment

The Company is a low energy user and is therefore exempt from the reporting obligations under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any emissions producing sources including those within its underlying investment portfolio under part 7 of schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended.

Directors' Report (continued)

Directors and their Interests

The directors of the Company as at 31 March 2024, their interests and contracts of significance are set out in the Directors' Remuneration Report on pages 49 to 51.

Substantial Shareholdings

The directors are not aware of any substantial shareholdings representing 3 per cent or more of the Company's issued share capital as at 31 March 2024 and the date of this report.

Independent Auditor

BDO LLP has indicated its willingness to continue in office and a resolution concerning its reappointment will be proposed at the Annual General Meeting. Further details regarding their appointment is included in the Corporate Governance section on pages 45 and 46.

There were no non-audit services provided by BDO LLP during the year.

Financial Instruments

Details of the financial instruments held by the Company and the risks associated with them are set out on pages 86 to 90 and this information is accordingly incorporated into the Directors' Report by reference.

Employment Policies

The employment policies of the Company are set out on page 49.

Events after the Balance Sheet Date

On 3 April 2024 the Company allotted the final shares from its fully subscribed 2023/24 share offer. Gross proceeds of £36.8 million were raised, resulting in the issue of 42,588,037 ordinary shares. This increased the number of ordinary shares issued with voting rights to 305,247,398.

Subsequent to the year end, £4.7 million has been invested into two new investments, Fuuse and Ohalo.

Annual General Meeting

Shareholders will find the Notice of the Annual General Meeting on pages 92 to 96 of these financial statements.

The business of the meeting includes an ordinary resolution (**Resolution 8**) proposed to ensure the directors retain the authority to allot shares in the Company until the later of 10 September 2025 or the date of the 2025 Annual General Meeting up to an aggregate nominal amount of £9,000,000 (representing approximately 29.5 per cent of the issued ordinary share capital of the Company as at 14 June 2024, excluding treasury shares).

Resolution 9 is an additional ordinary resolution proposed to ensure the directors retain the authority to allot shares in the Company under the Company's DRIS until the later of 10 September 2025 or the date of the 2025 Annual General Meeting up to an aggregate nominal amount of £2,000,000 (representing approximately 6.6 per cent of the issued ordinary share capital of the Company as at 14 June 2024, excluding treasury shares).

Also included are the following special resolutions:

Resolution 10 is proposed to empower the directors to allot shares under the authority granted by the ordinary resolution (Resolution 8) above and to sell treasury shares without regard to any rights of pre-emption on the part of the existing shareholders.

Resolution 11 is proposed to empower the directors to allot shares under the authority granted by the ordinary resolution (Resolution 9) above without regard to any rights of pre-emption on the part of the existing shareholders.

This report was approved by the Board on 14 June 2024 and signed on its behalf by

Rupert Cook
Chair

British Smaller Companies VCT plc

Registered number 03134749

Corporate Governance

The Board is committed to the principle and application of sound corporate governance and confirms that the Company has taken steps, appropriate to a venture capital trust and relevant to its size and operational complexity, to comply with the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance issued in February 2019 (the "AIC Code") available on the AIC website www.theaic.co.uk.

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

The UK Corporate Governance Code can be found on the website of the FRC at www.frc.org.uk. On 22 January 2024 the UK Corporate Governance Code (the "Code") was updated, the 2024 Code will apply to financial years beginning on or after 1 January 2025. The 2018 Code remains in place until this time.

The Board considers that reporting against the principles and recommendations of the AIC will provide better information to shareholders.

The Company is committed to maintaining the highest standards of corporate governance and during the year to 31 March 2024 complied with the recommendations of the AIC Code and relevant provisions of the Code, except as set out below.

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

Role of the Board

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

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

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

The Board reviews the performance of the Manager on an ongoing basis and confirms that it is satisfied with the contractual arrangement in place. The Board considers that due to its small size, it would be unnecessarily burdensome to establish a separate management engagement committee, as the Board fulfils this function.

Board Composition

The Board consists of four non-executive directors, all of whom are regarded by the Board as independent of each other and also of the Company's Manager, including the Chair. The independence of the Chair was assessed upon his appointment. Although the Code presumes that the chair of a company is deemed not to

Corporate Governance (continued)

be an independent director, the remaining directors, having considered the nature of the role in the Company, are satisfied that Mr R Cook fulfils the criteria for independence as a non-executive director. The directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and provide a balance of power and authority including recent and relevant financial experience.

Brief biographical details of each director are set out on page 36.

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

There are no executive officers of the Company.

Given the structure of the Board and the fact that the Company's administration is conducted by YFM Private Equity Limited, the Company has not appointed a chief executive officer or a senior independent non-executive director. In addition, the directors consider that the role of a senior independent non-executive director is taken on by all of the directors. Shareholders are therefore able to approach any director with any queries they may have.

Boardroom Diversity

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

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

Diversity of thought, experience and approach are all important and the directors will always seek to appoint on merit against objective criteria. In the year the Company has not met the Listing Rule board diversity target of the Board comprising at least 40 per cent women; the Board's current ratio reflects the small, four person composition of the Board. The target of at least one of the chair, CEO, CFO or senior independent director being a woman has not been met in the year. As an investment company, the Company does not have a CEO or CFO, and has not appointed a senior independent director. The target of at least one member of the Board being from a minority ethnic background was met in the year.

	Number of Board members	Percentage of the Board
Male	2	50
Female	1	25
Prefer not to say	1	25

	Number of Board members	Percentage of the Board
White British	2	50
Asian/Asian British	1	25
Prefer not to say	1	25

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, it is the Board's policy that a director's appointment will run for a term of one year until the next Annual General Meeting. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the director to seek a further term. The Board, when making a recommendation, will take into account the ongoing requirements of the Code, including the need to refresh the Board and its Committees.

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

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

The directors recommend the re-election of Mr A C N Bastin, Mr J H Cartwright, Mr R Cook and Ms P Sapre at this year's Annual General Meeting, because of their commitment, experience and contribution to the Company.

Meetings and Committees

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

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

During the year there were eight formal Board meetings, three Audit & Risk Committee meetings, two Allotment Committee Meetings, two Nominations & Remuneration Committee meetings and two General meetings. The directors met via video, telephone and electronic conferences on 28 other occasions.

Meetings attended

Director	Mr R Cook	Mr A C N Bastin	Mr J H Cartwright	Ms P Sapre	Total
Board meetings	8	8	8	8	8
Audit & Risk Committee	3	3	3	3	3
Allotment Committee	2	1	1	1	2
Nominations & Remuneration Committee	2	2	2	2	2
Video, telephone & electronic conferences	28	28	28	28	28
General meeting	2	2	2	2	2
Total	**45**	**44**	**44**	**44**	**45**

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

Training and Appraisal

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

The performance of the Board has been evaluated in respect of the financial year ended 31 March 2024. The Board, led by the Chair, has conducted a performance evaluation to determine whether it and individual directors are functioning effectively.

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

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

The Chair has confirmed that the performance of the other directors being proposed for re-election continues to be effective and that they continue to show commitment to the role. The independent directors have similarly appraised the performance of the Chair. They considered that the performance of Mr R Cook continues to be effective.

Audit & Risk Committee

The Board considers that due to its small size it is appropriate for all non-executive directors to be members of the Audit & Risk Committee; the Company's Chair confirmed their independence upon appointment and thus was eligible to join the Committee. The Committee meets at least three times each year. The directors consider that it is appropriate that the Chair of the Committee should be Mr J H Cartwright due to his experience in the role. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee, and that the Chair of the Committee meets the requirements of the Code as to recent and relevant financial experience.

Corporate Governance (continued)

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

> Monitoring and making recommendations to the Board in relation to the Company's published financial statements (including in relation to the valuation of the Company's unquoted investments) and other formal announcements relating to the Company's financial performance;

> Monitoring and making recommendations to the Board in relation to the Company's internal control (including internal financial control) and risk management systems;

> Annually considering the need for an internal audit function;

> Making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;

> Reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

> Monitoring the extent to which the external auditor is engaged to supply non-audit services; and

> Ensuring that the Manager has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

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

The directors' statement on the Company's system of internal control is set out on pages 47 and 48.

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

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

During the year ended 31 March 2024 the Audit & Risk Committee discharged its responsibilities by:

> Reviewing and approving the external auditor's terms of engagement, remuneration and independence;

> Reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks;

> Reviewing YFM Private Equity Limited's statement of internal controls operated in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;

> Reviewing reports on the effectiveness of the Manager's compliance procedures;

> Reviewing the appropriateness of the Company's accounting policies;

> Reviewing the Company's draft annual financial statements, half yearly results statement and interim management statements prior to Board approval, including the proposed fair value of investments as determined by the directors;

> Reviewing the external auditor's detailed reports to the Committee on the annual financial statements; and

> Recommending to the Board and shareholders the re-appointment of BDO LLP as the Company's external auditor.

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

> Valuation of unquoted investments; and

> Compliance with HM Revenue & Customs' conditions for maintenance of approved venture capital trust status.

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

Valuation of Unquoted Investments

The Audit & Risk Committee reviewed the estimates and judgements made in the investment valuations and was satisfied that they were appropriate. The Manager confirmed to the Audit & Risk Committee that the investment valuations had been carried out consistently with prior periods and in accordance with published industry guidelines, taking account of the latest available information about investee companies; current market data; and a report from the auditor, including key audit findings in respect of the valuations.

Venture Capital Trust Status

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

Financial Statements

The Manager confirmed to the Audit & Risk Committee that it was not aware of any material unadjusted misstatements. Having reviewed the reports received from the Manager and the auditor, the Audit & Risk Committee is satisfied that the key areas of risk and judgement have been appropriately addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities and revenue recognition have been properly appraised and are sufficiently robust.

Relationship with the Auditor

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

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

> Demonstrated strong technical knowledge and clear understanding of the business;

> Indicated professional scepticism in key judgements and raised any significant issues in advance of the audit process commencing;

> Allocated an audit team that is appropriately resourced;

> Demonstrated a proactive approach to the audit planning process and engaged with the Audit & Risk Committee Chair and other key individuals within the business;

> Provided a clear explanation of the scope and strategy of the audit;

> Demonstrated the ability to communicate clearly and promptly with the members of the Committee and the Manager and produce comprehensive reports on its findings;

> Demonstrated that it has appropriate procedures and safeguards in place to maintain its independence and objectivity; and

> Charged justifiable fees in respect of the scope of services provided.

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

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

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

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

As part of the review of audit effectiveness and independence, BDO LLP has confirmed that it is independent of the Company and has complied with applicable auditing standards. BDO LLP has held office for ten years; in accordance with professional guidelines the previous engagement partner was rotated off the audit after five years; this is the third year of the current partner's tenure. The Committee notes there is a

Corporate Governance (continued)

requirement to tender every ten years, and that the last tender process was performed in the year ended 31 March 2014. The Company sought to initiate a tender process during the year ended 31 March 2024 but was unable to identify a sufficient number of firms with suitable skill and experience who were prepared to participate. Therefore, the Company submitted an application to the FRC in accordance with its "Process for applications to extend the maximum duration of the audit engagement". Pursuant to section 494ZA of the Companies Act 2006, the FRC approved the Company's application for a two-year extension to the appointment of BDO LLP as the auditor of British Smaller Companies VCT plc for the financial periods ending 31 March 2024 and 31 March 2025. The Company intends to run an audit tender process during the year ending 31 March 2025.

Having completed its review, the Audit & Risk Committee is satisfied that BDO LLP remained effective and independent in carrying out its responsibilities up to the date of signing this report and its recommendation for reappointment is endorsed by the Board. No non-audit services were provided by BDO LLP during the year.

Nominations and Remuneration Committee

The Company has a combined Nominations and Remuneration Committee. The Board considers that due to its small size it is appropriate for all non-executive directors, who are considered by the Board to be independent of the Manager, to be members of the Nomination and Remuneration Committee. Mr J H Cartwright is Chair of the Nominations and Remuneration Committee. The Nominations and Remuneration Committee reviews the Company's remuneration policy so as to determine and agree the remuneration to be paid to each director of the Company and is responsible for the production of the Directors' Remuneration Report which may be found on pages 49 to 51.

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

Meetings are held as and when required. There were two Nominations and Remuneration committee meetings during the year.

The Board considers succession planning at least annually, especially in relation to the positions of the Chair and the Chair of the Audit & Risk Committee.

Investment Committee

The Investment Committee currently consists of the non-executive directors. The Chair of the Committee is Mr A C N Bastin.

The Investment Committee is authorised to make investment decisions (including new investment, further investment, variation and realisation decisions) on behalf of the Board.

The Manager is authorised to approve follow-on investment decisions of up to £600,000 on behalf of the Company for well-performing investments.

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

Allotment Committee

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

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

Relations with Shareholders

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

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting, at which the directors and representatives of the Manager are available in person to meet with and answer shareholders' questions. In addition, representatives of the Manager periodically hold shareholder workshops which review the Company's performance and industry developments, and which give shareholders a further opportunity to meet members of the Board and chief executives or chairs of some of the investee companies. During the year, the Company's Manager has held regular discussions with shareholders. The directors are made fully aware of shareholders' views. The Chair and directors make themselves available, as and when required, to address shareholder queries. The directors may be contacted through the Company Secretary, whose details are shown on page 36.

The Company's Annual Report and Notice of the Annual General Meeting are published in time to give shareholders at least 21 clear days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 36. Separate resolutions are proposed for each separate issue. Proxy votes will be counted and the results announced at the Annual General Meeting for and against each resolution.

Internal Control and Risk Management

Under an agreement dated 28 February 1996, as varied by agreements dated 1 July 2009, 16 November 2012, 17 October 2014, 24 August 2015 and 18 November 2019, certain functions of the Company have been sub-contracted to YFM Private Equity Limited. The Board receives operational and financial reports on the current state of the Company and on appropriate strategic, financial, operational and compliance issues. These matters include, but are not limited to:

> A clearly defined investment strategy for the Manager to the Company;

> All decisions concerning the acquisition or disposal of investments are ratified by the Board;

> Regular reviews of the Company's investments, liquid assets and liabilities, revenue and expenditure;

> Regular reviews of compliance with the VCT regulations to retain its status; and

> The Board receives copies of the Company's management accounts on a regular basis showing comparisons with budget. These include a report by the Manager with a review of performance. Additional information is supplied on request.

The Board confirms the procedures to implement the guidance detailed in Principle O of the AIC Code were in place throughout the year ended 31 March 2024 and up to the date of this report. A detailed review of the risks faced by the Company and the techniques used to mitigate these risks can be found in the Strategic Report on pages 31 to 33.

The Board acknowledges that it is responsible for overseeing the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

> A robust system of internal control is maintained by the Manager over the preparation and reconciliation of investment portfolio valuations;

> Monthly reconciliation of assets held as cash and cash equivalents;

> Independent review of the valuations of portfolio investments by the Board (quarterly);

> The Audit & Risk Committee's review of financial reporting and compliance (as set out on pages 43 to 46);

> The Board reviews financial information including the Annual Report, Interim Report and interim management statements prior to their external communication; and

Corporate Governance (continued)

> The Board reviews the financial information in any prospectus or offer for subscription issued by the Company in connection with the issue of new share capital.

The Company is classified by the FCA as an Alternative Investment Fund ("AIF"), which requires an Alternative Investment Fund Manager ("AIFM") to be appointed to, at a minimum, provide portfolio management and risk management services. The Manager is appointed as the Company's AIFM.

The AIFM Directive provides two regimes, a lighter regime for AIFMs where the cumulative assets of the AIFs under its management do not exceed €100 million; or do not exceed €500 million where the AIFs are unleveraged and do not give their investors a right of redemption within five years of initial investment.

In March 2023 the Manager exceeded this threshold and applied to the FCA to become authorised as a full scope AIFM. In September 2023 the Manager received this authorisation from the FCA. From this date, the Depositary took responsibility for the safekeeping of the assets of the Company.

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

Conflicts of Interest

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

The Board notes Mr R Cook's position as a shareholder of Xapien, a portfolio investment of the Company. In making the investment into Xapien, the Company's conflicts of interest policy was followed, with Mr R Cook recused from all decision making.

Corporate Governance in Relation to Investee Companies

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

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

Co-Investment

Typically, the Company invests alongside other venture capital funds and other private equity funds managed by the Manager, such syndication spreading investment risk. Details of the amounts invested in individual companies are set out in the Strategic Report. Co-investments are detailed in note 7 to the financial statements on pages 81 to 83.

Management

The Board has delegated the monitoring of the investment portfolio to the Manager.

This report was approved by the Board on 14 June 2024 and signed on its behalf by

Rupert Cook
Chair

British Smaller Companies VCT plc

Registered number 03134749

Directors' Remuneration Report

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

The law requires the Company's auditor, BDO LLP, to audit certain information included in this report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the Independent Auditor's Report on pages 53 to 59.

Directors' Remuneration Policy

This statement of the Directors' Remuneration Policy took effect following approval by shareholders at the Annual General Meeting held on 14 September 2023.

A resolution to approve the Directors' Remuneration Policy will be put to shareholders every three years.

The Board comprises four directors, all of whom are non-executive. The Company currently has an independent Nominations and Remuneration Committee, which is comprised of the full Board and of which Mr J H Cartwright is the independent Chair.

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

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

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

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

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

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

Brief biographical notes on the directors are given on page 36.

Statement by the Chair of the Nominations and Remuneration Committee

The directors have reviewed the level of directors' fees and, in light of the current inflationary environment, agreed that they will be increased by five per cent to £46,300 per annum for the Chair and £28,950 for the Non-Executive Directors, effective from 1 July 2024. Further, from the same date the Chairs of the Audit & Risk Committee and the Investment Committee will receive an additional £5,000 per annum, reflecting the increased activity required in fulfilling those roles.

Directors' Remuneration Report (continued)

In accordance with the Directors' Remuneration Policy, the directors have agreed that they should be reviewed again in June 2025. The cap on aggregate annual fees is £150,000.

Directors' Remuneration for the year ended 31 March 2024 (audited)

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

There are no executive directors (2023: none).

Table A
Total Fixed Fees Paid (audited)

	2024 £	2023 £
R Cook	**43,575**	34,825
A C N Bastin	**27,236**	26,250
J H Cartwright	**27,236**	26,250
P Sapre	**27,236**	21,606
H Sinclair*	**-**	19,438
	125,283	128,369

* resigned 16 September 2022

With effect from 1 July 2023, the annual salary of the Chair was increased to £44,100 (previously £42,000) and the annual salary of the other directors was increased to £27,565 (previously £26,250). The annual salary of Ms P Sapre from the date of her appointment on 6 September 2022 was £26,250.

Table B
Total Fixed Fees Paid: Annual change

	2024 %	2023 %	2022 %	2021 %
R Cook	**5.0**	0.0*	0.0	0.0
A C N Bastin	**5.0**	5.0	0.0	0.0*
J H Cartwright	**5.0**	5.0	0.0	0.0*
P Sapre	**5.0**	n/a	n/a	n/a
H Sinclair	**n/a**	n/a	0.0	0.0

* The annual salary of Mr A C N Bastin from the date of his appointment on 11 September 2019 was £25,000, the annual salary of Mr J H Cartwright from the date of his appointment on 1 October 2019 was £25,000 and the annual salary of Ms P Sapre from the date of her appointment on 6 September 2022 was £26,250. The annual salary of Mr R Cook from the date of his appointment as Chair on 16 November 2023 was £42,000.

Directors and their Interests (audited)

The directors of the Company at 31 March 2024 and their beneficial interests in the share capital of the Company (including those of immediate family members) were as shown in Table C:

Table C
Directors and their interests (audited)

	Number of ordinary shares at:		Percentage of voting rights:	
	31 March 2024	31 March 2023	**31 March 2024**	31 March 2023
R Cook	**196,540**	222,042	**0.07%**	0.12%
A C N Bastin	**13,247**	13,247	**0.01%**	0.01%
J H Cartwright	**26,494**	26,494	**0.01%**	0.01%
P Sapre	**7,028**	-	**0.00%**	0.00%

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

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

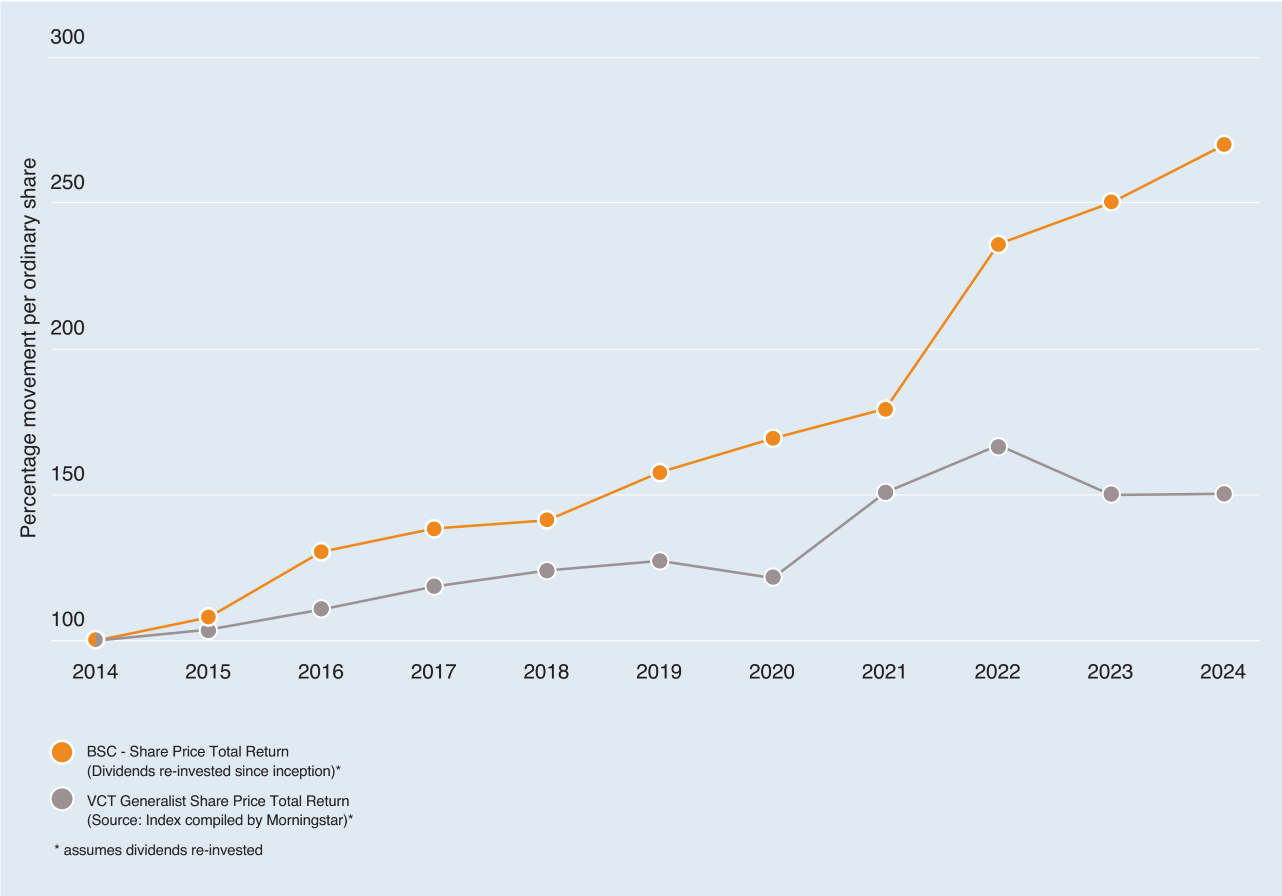
Relative Importance of Spend on Pay

Directors' remuneration, dividend distribution and share buy-backs are shown in Table D:

The remuneration of the directors is fixed and contains no performance related variable element. As the Company has no employees, the directors do not consider it relevant to compare directors' fees against employee pay.

Table D
Relative Importance of Pay

	2024 £	2023 £
Dividends	**9,635,000**	15,884,000
Share buy-backs	**2,869,000**	2,497,000
Total directors' fees	**125,283**	128,369



Consideration of Employment Conditions of Non-director Employees

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

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the investment management agreement, as referred to in the Corporate Governance section.

Net Asset Value Total Return (calculated by reference to the net asset value and cumulative dividends paid, as set out in note 12 of these financial statements and excluding tax reliefs received by shareholders) is the primary recognised measure of performance in the VCT industry. This measure is shown on page 11.

The graph above shows a comparison over the last ten years of the movements in both the Company's Share Price Total Return and the Share Price Total Return for an index of generalist VCTs which are members of the AIC (based on figures provided by Morningstar). In line with the index all the relative performance measures have been rebased to 100 as at March 2014. The directors consider this to be the most appropriate published index on which to report on comparative performance.

This report was approved by the Board and signed on its behalf on 14 June 2024.

Rupert Cook
Chair

Directors’ Responsibilities Statement

The directors are responsible for preparing the annual report and the financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

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

> Select suitable accounting policies and then apply them consistently;

> Make judgements and accounting estimates that are reasonable and prudent;

> State whether they have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;

> Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and

> Prepare a directors’ report, a strategic report and directors’ remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy.

Website Publication

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

Directors’ Responsibilities Pursuant to DTR4

The directors confirm to the best of their knowledge:

> The financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and

> The annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

The names and functions of all the directors are stated on page 36.

This statement was approved by the Board and signed on its behalf on 14 June 2024.

Rupert Cook
Chair

Independent Auditor's Report

to the members of British Smaller Companies VCT plc

Opinion on the financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its profit for the year then ended;
- Have been properly prepared in accordance with UK adopted international accounting standards;
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of British Smaller Companies VCT plc (the 'Company') for the year ended 31 March 2024 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

Independence

Following the recommendation of the Audit & Risk Committee, we were appointed by the Board of Directors during 2014 and subsequently by the shareholders at the AGM on 22 July 2014 to audit the financial statements for the year ended 31 March 2014 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 11 years, covering the years ended 31 March 2014 to 31 March 2024. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

An audit tender was due for the 31 March 2024 year-end. As such, the Company applied to the Financial Reporting Council ('FRC') on 4 June 2023 to request an extension which was subsequently approved, therefore BDO LLP could continue to remain as auditors for the financial years ending 31 March 2024 and 31 March 2025. An audit tender is required to be performed before the financial year ending 31 March 2026.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the VCT compliance reports prepared by management's expert during the year and as at year end and reviewing the calculations therein to check that the Company was meeting its requirements to retain VCT status;
- Consideration of the Company's expected future compliance with VCT legislation, the absence of bank debt, contingencies and commitments and any market or reputational risks;
- Reviewing the forecasted cash flows that support the directors' assessment of going concern, challenging assumptions and judgements made in the forecasts, and assessing them for reasonableness. We have stress tested forecasts including consideration of current cash levels, future expenses with reference to historic expenditure and cash outflows relating to new investments in order to determine whether the Company will continue meeting VCT compliance rules; and
- Evaluating the directors' method of assessing the going concern in light of market volatility.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent Auditor's Report (continued)

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview

	2024	2023
Key audit matters		
Valuation of Unquoted Investments	✓	✓
Materiality		
Company financial statements as a whole £2.5 million (2023: £2.5 million) based on 2% (2023: 2%) of total financial assets at fair value through profit or loss		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

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

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of unquoted investments (Note 1 and Note 7) We consider the valuation of unquoted investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations. There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Manager, who is remunerated based on factors including the net asset value of the Company. For these reasons we considered the valuation of unquoted investments to be a key audit matter.	Our sample for the testing of unquoted investments was stratified according to risk considering, inter alia, the value of individual investments, the nature of the investment, the extent of the fair value movement and the subjectivity of the valuation technique. For all unquoted investments in our sample we: Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and the applicable accounting standards. We have recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies. For investments sampled that were valued using less subjective valuation techniques (price of recent investment reviewed for changes in fair value) we: > Verified the price of recent investment to supporting documentation; > Considered whether the investment was an arm's length transaction through reviewing the parties involved in the transaction and checking whether or not they were already investors of the investee company; > Considered whether there were any indications that the price of recent investment was no longer representative of fair value considering, inter alia, the current performance of the investee company and the milestones and assumptions set out in the investment proposal; and > Considered whether the price of recent investment is supported by alternative valuation techniques.

Key audit matter	How the scope of our audit addressed the key audit matter
	For investments sampled that were valued using more subjective techniques (earnings multiples and revenue multiples) we: > Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements; > Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues, earnings or cash flows used in the valuations; > Considered the revenue or earnings multiples applied and the discounts applied by reference to observable listed company market data; and > Challenged the consistency and appropriateness of adjustments made to such market data in establishing the revenue, cash flow or earnings multiple applied in arriving at the valuations adopted by considering the individual performance of investee companies against plan and relative to the peer group, the market and sector in which the investee company operates and other factors as appropriate. For investments that were valued at net asset value, we performed the following: > Obtained the 31 March 2024 management accounts and recalculated the Company's share of net asset value; and > Agreed the bank balance to the supporting bank statements and any loans to companies within the portfolio to the underlying valuations work performed above. Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias. **Key observations** Based on the procedures performed we consider the investment valuations to be appropriate considering the level of estimation uncertainty.

Our application of materiality

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

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Independent Auditor's Report (continued)

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements 2024 £m	Company financial statements 2023 £m
Materiality	**2.5**	2.5
Basis for determining materiality	2% of total financial assets at fair value through profit or loss	2% of total financial assets at fair value through profit or loss
Rationale for the benchmark applied	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 2% of financial assets at fair value through profit or loss.	
Performance materiality	**1.9**	1.9
Basis for determining performance materiality	75% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements based on our knowledge and experience of the audited entity.	

Reporting threshold

We agreed with the Audit & Risk Committee that we would report to them all individual audit differences in excess of £125,000 (2023: £120,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	> The directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and > The directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	> Directors' statement on fair, balanced and understandable; > Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; > The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and > The section describing the work of the Audit & Risk Committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: > The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and > The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.
Directors' remuneration	In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: > Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or > The financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or > Certain disclosures of directors' remuneration specified by law are not made; or > We have not received all the information and explanations we require for our audit.

Independent Auditor's Report (continued)

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

> Our understanding of the Company and the industry in which it operates;
> Discussion with the Manager and those charged with governance; and
> Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code on Corporate Governance, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") and updated in 2022 with consequential amendments and the applicable financial reporting framework. We also considered the Company's qualification as a VCT under UK tax legislation.

Our procedures in respect of the above included:

> Agreement of the financial statement disclosures to underlying supporting documentation;
> Enquiries of the Manager and those charged with governance relating to the existence of any non-compliance with laws and regulations;
> Obtaining the VCT compliance reports prepared by management's expert during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status; and
> Reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatement including fraud.

Our risk assessment procedures included:

> Enquiry with the Manager and those charged with governance regarding any known or suspected instances of fraud;
> Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
> Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the valuation of unquoted investments and management override of controls.

Our procedures in respect of the above included:

> In addressing the risk of valuation of unquoted investments, the procedures set out in the key audit matter section in our report were performed;

> In addressing the risk of management override of control, we:

  - Considered the opportunity and incentive to manipulate accounting entries;
  - Reviewed for significant transactions outside the normal course of business;
  - Reviewed the significant judgements made in the unquoted investment valuations and considered whether the valuation methodology is the most appropriate;
  - Performed an unpredictability test over a sample of clearly trivial expenses, which would not be normally selected, and agreed to relevant supporting evidence;
  - Considered any indicators of bias in our audit as a whole; and
  - Performed a review of unadjusted audit differences, if any, for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Vanessa-Jayne Bradley
(Senior Statutory Auditor)
For and on behalf of
BDO LLP,
Statutory Auditor
London, United Kingdom

14 June 2024

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

Statement of Comprehensive Income

For the year ended 31 March 2024

	Notes	2024 Revenue £000	2024 Capital £000	2024 Total £000	2023 Revenue £000	2023 Capital £000	2023 Total £000
Gains on investments held at fair value	7	-	6,045	6,045	-	8,152	8,152
Gain on disposal of investments	7	-	4,475	4,475	-	5,213	5,213
Gain arising from the investment portfolio		-	10,520	10,520	-	13,365	13,365
Income	2	4,045	-	4,045	1,994	-	1,994
Total income		4,045	10,520	14,565	1,994	13,365	15,359
Administrative expenses:							
Manager's fee		(795)	(2,384)	(3,179)	(696)	(2,086)	(2,782)
Incentive fee		-	-	-	-	(125)	(125)
Other expenses		(768)	-	(768)	(215)	-	(215)
	3	(1,563)	(2,384)	(3,947)	(911)	(2,211)	(3,122)
Profit before taxation		2,482	8,136	10,618	1,083	11,154	12,237
Taxation	4	-	-	-	-	-	-
Profit for the year		2,482	8,136	10,618	1,083	11,154	12,237
Total comprehensive income for the year		2,482	8,136	10,618	1,083	11,154	12,237
Basic and diluted earnings per ordinary share	6	1.01p	3.33p	4.34p	0.58p	5.96p	6.54p

The accompanying notes on pages 65 to 91 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 July 2022 – "SORP") published by the AIC.

Balance Sheet

At 31 March 2024

	Notes	2024 £000	2023 £000
ASSETS			
Non-current assets at fair value through profit or loss			
Financial assets at fair value through profit or loss	7	**128,662**	127,406
Accrued income and other assets	8	**-**	1,556
		128,662	128,962
Current assets			
Accrued income and other assets	8	**1,382**	161
Current asset investments	9	**53,500**	7,501
Cash at bank	9	**36,304**	20,766
		91,186	28,428
LIABILITIES			
Current liabilities			
Trade and other payables	10	**(248)**	(358)
Net current assets		**90,938**	28,070
Net assets		**219,600**	157,032
Shareholders' equity			
Share capital	11	**28,830**	20,969
Share premium account		**58,293**	1,700
Capital reserve		**79,171**	82,893
Investment holding gains and losses reserve	7	**49,207**	49,215
Revenue reserve		**4,099**	2,255
Total shareholders' equity		**219,600**	157,032
Net asset value per ordinary share	12	**83.6p**	83.7p

The accompanying notes on pages 65 to 91 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 14 June 2024.

Rupert Cook
Chair

Statement of Changes in Equity

For the year ended 31 March 2024

	Share capital £000	Share premium account £000	Capital reserve £000	Investment holding gains and losses reserve £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2022	20,510	62,123	33,620	41,982	1,299	159,534
Revenue return for the year	-	-	-	-	*1,083*	*1,083*
Expenses charged to capital	-	-	*(2,211)*	-	-	*(2,211)*
Investment holding gain on investments held at fair value	-	-	-	*8,152*	-	*8,152*
Realisation of investments in the year	-	-	*5,213*	-	-	*5,213*
Total comprehensive income for the year	-	-	3,002	8,152	1,083	12,237
Issue of shares – DRIS	*459*	*3,245*	-	-	-	*3,704*
*Issue costs **	-	*(62)*	-	-	-	*(62)*
Share premium cancellation	-	*(63,606)*	*63,606*	-	-	-
Purchase of own shares	-	-	*(2,497)*	-	-	*(2,497)*
Dividends	-	-	*(15,757)*	-	*(127)*	*(15,884)*
Total transactions with owners	459	(60,423)	45,352	-	(127)	(14,739)
Realisation of prior year investment holding gains	-	-	919	(919)	-	-
Balance at 31 March 2023	**20,969**	**1,700**	**82,893**	**49,215**	**2,255**	**157,032**
Revenue return for the year	-	-	-	-	*2,482*	*2,482*
Expenses charged to capital	-	-	*(2,384)*	-	-	*(2,384)*
Investment holding gain on investments held at fair value	-	-	-	*6,045*	-	*6,045*
Realisation of investments in the year	-	-	*4,475*	-	-	*4,475*
Total comprehensive income for the year	-	-	2,091	6,045	2,482	10,618
Issue of share capital	*7,612*	*57,237*	-	-	-	*64,849*
Issue of shares – DRIS	*249*	*1,769*	-	-	-	*2,018*
*Issue costs **	-	*(2,413)*	-	-	-	*(2,413)*
Purchase of own shares	-	-	*(2,869)*	-	-	*(2,869)*
Dividends	-	-	*(8,997)*	-	*(638)*	*(9,635)*
Total transactions with owners	7,861	56,593	(11,866)	-	(638)	51,950
Realisation of prior year investment holding gains	-	-	6,053	(6,053)	-	-
Balance at 31 March 2024	**28,830**	**58,293**	**79,171**	**49,207**	**4,099**	**219,600**

The accompanying notes on pages 65 to 91 are an integral part of these financial statements.

Statement of Changes in Equity (continued)

For the year ended 31 March 2024

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 on previous page	79,171	4,099	83,270
Income/proceeds not yet distributable	(1,003)	(2,131)	(3,134)
Cancelled share premium not yet distributable	(33,612)	-	(33,612)
Reserves available for distribution**	**44,556**	**1,968**	**46,524**

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

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

The capital reserve and revenue reserve are both distributable reserves. The reserves total £83,270,000, representing a decrease of £1,878,000 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 £83,270,000 shown above, £3,134,000 relates to income and proceeds not yet distributable and £33,612,000 relates to cancelled share premium which will become distributable from the dates shown in the table below.

Following shareholder approval at the 2022 Annual General Meeting, in October 2022 the Company cancelled the balance of its Share Premium, £63,606,000, of which £29,994,000 is now distributable. The remaining share premium cancelled will be available for distribution from the following dates:

	£000
1 April 2025	32,128
1 April 2026	1,484
Cancelled share premium not yet distributable	**33,612**

Statement of Cash Flows

For the year ended 31 March 2024

	Notes	2024 £000	2023 £000
Net cash outflow from operating activities		**(744)**	(2,277)
Cash flows generated from (used in) investing activities			
Cash maturing from fixed term deposits		**-**	6,970
Purchase of financial assets at fair value through profit or loss	7	**(9,390)**	(28,832)
Proceeds from sale of financial assets at fair value through profit or loss	7	**19,625**	20,716
Deferred consideration	7	**96**	-
Net cash inflow (outflow) from investing activities		**10,331**	(1,146)
Cash flows from (used in) financing activities			
Issue of ordinary shares		**64,849**	-
Costs of ordinary share issues*		**(2,413)**	(62)
Purchase of own ordinary shares		**(2,869)**	(2,497)
Dividends paid	5	**(7,617)**	(12,180)
Net cash inflow (outflow) from financing activities		**51,950**	(14,739)
Net increase (decrease) in cash and cash equivalents		**61,537**	(18,162)
Cash and cash equivalents at the beginning of the year		**28,267**	46,429
Cash and cash equivalents at the end of the year		**89,804**	28,267

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

Cash and cash equivalents comprise			
Money market funds	9	**53,500**	7,501
Cash at bank	9	**36,304**	20,766
Cash and cash equivalents at the end of the year		**89,804**	28,267

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

	2024 £000	2023 £000
Profit before taxation*	**10,618**	12,237
Decrease in trade and other payables	**(110)**	(429)
Increase in accrued income and other assets	**(732)**	(660)
Gain on disposal of investments	**(4,475)**	(5,213)
Gains on investments held at fair value	**(6,045)**	(8,152)
Capitalised income	**-**	(60)
Net cash outflow from operating activities	**(744)**	(2,277)

* Includes cash inflow from dividends of £341,000 (2023: £1,117,000) and interest of £2,899,000 (2023: £700,000).

The accompanying notes on pages 65 to 91 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 pages 37 and 38 and in accordance with UK adopted international accounting standards.

The directors have carefully considered the issue of going concern in view of the Company's activities and associated risks. The Company has a well-diversified portfolio with businesses in a variety of sectors, many of which are well funded. Some portfolio companies may require additional funding in the near- to medium-term; the Company is well placed to provide this, where appropriate.

The Company has a significant level of liquidity, which was enhanced by the final allotment of the 2023/24 fundraising post-year-end, in April 2024. In addition, the Board has control over, and can flex as appropriate, the Company's major outgoings, which predominantly comprise investments, dividends and share buy-backs.

The directors have also assessed whether material uncertainties exist and their potential impact on the Company's ability to continue as a going concern; they have concluded that no such material uncertainties exist.

Taking all of the above into consideration, the directors are satisfied that the Company has sufficient resources to meet its obligations for at least 12 months from the date of this report and therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing the financial statements.

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 July 2022 – "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 (International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS")) and interpretations in force at the reporting date. From 1 January 2023 IAS 1 has been amended introducing the concept Material Accounting Policy Information. The Company has performed a review of its existing accounting policies and updated where relevant. Other 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 - Investments

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. Accrued income on loans/preference shares that is rolled to exit and is not past due, forms part of the investment's fair value.

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

Notes to the Financial Statements (continued)

1. Principal Accounting Policies (continued)

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.

Due to the above factors, the Company has applied the IFRS 10 investment entity consolidation exemption and has not prepared consolidated financial statements.

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 2022. 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. 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.

Listed Investment Funds

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. There were no listed investment funds held at 31 March 2024.

Income

Dividends and interest are received from financial assets measured at fair value through profit and 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 from 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 three months, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Notes to the Financial Statements (continued)

1. Principal Accounting Policies (continued)

Current asset investments comprise money market funds.

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 revenue 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.

Notes to the Financial Statements (continued)

2. Income

	2024 £000	2023 £000
Dividends from unquoted companies	**907**	1,102
Interest on loans to unquoted companies	**218**	263
Income from unquoted portfolio	**1,125**	1,365
Income from listed investment funds	**97**	300
Income from investments held at fair value through profit or loss	**1,222**	1,665
Interest from bank deposits/money market funds	**2,823**	329
	4,045	1,994

3. Administrative Expenses

	2024 £000	2023 £000
Manager's fee	**3,179**	2,782
Administration fee	**85**	75
Total payable	**3,264**	2,857
Incentive fee	**-**	125
Other expenses:		
Trail commission paid to financial intermediaries	**142**	92
Directors' remuneration	**138**	141
General expenses	**136**	149
Listing and registrar fees	**89**	80
Auditor's remuneration - audit of the financial statements (excluding irrecoverable VAT)	**66**	64
Printing	**60**	51
Irrecoverable VAT	**52**	46
	3,947	3,605
Fair value movement related to credit risk	**-**	(483)
	3,947	3,122
Ongoing charges figure	**1.85%**	2.12%

Directors' remuneration comprises only short-term benefits including social security contributions of £12,000 (2023: £13,000).

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

No fees are payable to the auditor in respect of other services (2023: £nil).

YFM Private Equity Limited provides management services to the Company under an investment 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.

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 £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 2024 of £219,600,000 and cash and cash equivalents of £89,804,000 at that date, this equates to approximately £3,569,000 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 £85,000 for the year ended 31 March 2024 (2023: £75,000); 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 (2023: £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 2024, the Company was due a rebate from the Manager of £nil (2023: £1,320).

The total remuneration payable to YFM Private Equity Limited under the IA in the period was £3,264,000 (2023: £2,857,000).

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 2024 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £1,535,000 (2023: £1,355,000).

Notes to the Financial Statements (continued)

3. Administrative Expenses (continued)

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 2024 the annual increase in the Total Return Hurdle was 7.0 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 2024 the Dividend Hurdle was 7.0 pence per share.

The incentive fees payable for the years ended 31 March 2024 and 31 March 2023 were calculated as follows:

	2024	2023
Total Return Hurdle (p)	**265.50**	258.20
Actual Total Return per Share before incentive fee (p)	**262.50**	258.60
(Shortfall) Excess over Total Return Hurdle (p)	**(3.00)**	0.40
Dividend Hurdle (p)	**7.00**	6.10
Actual Dividends per share (p)	**4.00**	8.50
(Shortfall) Excess over Dividend Hurdle (p)	**(3.00)**	2.40
Lower excess of the two hurdles (p)	**-**	0.40
Fee impact reduction (divide by 1.2) (p)	**-**	0.333
Performance fee per share at 20% of adjusted excess (p)	**-**	0.067
Number of shares in issue ('000)	**262,659**	187,679
Incentive fee payable (£'000)	**-**	125

The Total Return Hurdle for the year ending 31 March 2025 is 272.75 pence per share. The Dividend Hurdle is 7.25 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 £7.5 million.

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 plc on 30 November 2022, 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 commissions payable to an execution-only broker or platform. The net amount paid to YFM Private Equity Limited under this offer amounted to £1,383,000.

Under the terms of the offer launched with British Smaller Companies VCT2 plc on 20 September 2023, 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 commissions payable to an execution-only broker or platform. The net amount paid to YFM Private Equity Limited under this offer amounted to £1,645,000.

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 50 under the heading "Directors' Remuneration for the year ended 31 March 2024 (audited)".

4. Taxation

	2024 Revenue £000	**2024 Capital £000**	**2024 Total £000**	2023 Revenue £000	2023 Capital £000	2023 Total £000
Profit before taxation	**2,482**	**8,136**	**10,618**	1,083	11,154	12,237
Profit before taxation multiplied by standard rate of corporation tax in UK of 19% (2023: 19%)	**471**	**1,546**	**2,017**	206	2,119	2,325
Effect of:						
UK dividends received	**(172)**	**-**	**(172)**	(297)	-	(297)
Non-taxable profits on investments	**-**	**(1,999)**	**(1,999)**	-	(2,539)	(2,539)
Deferred tax not recognised	**(299)**	**453**	**154**	91	420	511
Tax charge	**-**	**-**	**-**	-	-	-

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

Deferred tax assets of £4.98 million (2023: £4.75 million) calculated at 25% (2023: 25%) in respect of unrelieved management expenses (£19.93 million as at 31 March 2024 and £19.01 million as at 31 March 2023) 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.

Notes to the Financial Statements (continued)

5. Dividends

Amounts recognised as distributions to equity holders in the period to 31 March:

	2024 Revenue £000	2024 Capital £000	2024 Total £000	2023 Revenue £000	2023 Capital £000	2023 Total £000
Interim dividend for the year ended 31 March 2024 of 2.0p (2023: 2.0p) per ordinary share	**638**	**4,178**	**4,816**	-	3,725	3,725
Second interim dividend for the year ended 31 March 2024 of 2.0p (2023: 2.0p) per ordinary share	**-**	**4,819**	**4,819**	-	3,736	3,736
Third interim dividend for the year ended 31 March 2023 of 4.5p per ordinary share	**-**	**-**	**-**	127	8,296	8,423
	638	**8,997**	**9,635**	127	15,757	15,884
Shares allotted under DRIS			**(2,018)**			(3,704)
Dividends paid in Statement of Cash Flows			**7,617**			12,180

The first interim dividend of 2.0 pence per ordinary share was paid on 28 July 2023 to shareholders on the register as at 30 June 2023.

The second interim dividend of 2.0 pence per ordinary share was paid on 8 December 2023 to shareholders on the register as at 10 November 2023.

An interim dividend of 2.0 pence per ordinary share, in respect of the year ending 31 March 2025, will be paid on 26 July 2024 to shareholders on the register on 28 June 2024. This dividend was not recognised in the year ended 31 March 2024 as the obligation did not exist at the balance sheet date.

6. **Basic and Diluted Earnings per Ordinary Share**

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to shareholders of £10,618,000 (2023: £12,237,000) and 244,463,235 (2023: 187,113,203) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue earnings per ordinary share is based on the revenue profit for the year attributable to shareholders of £2,482,000 (2023: £1,083,000) and 244,463,235 (2023: 187,113,203) 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 £8,136,000 (2023: £11,154,000) and 244,463,235 (2023: 187,113,203) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 2,490,239 new ordinary shares in respect of its DRIS and 76,120,499 new ordinary shares from its fundraising.

The Company has also repurchased 3,630,656 of its own shares in the year, and these shares are held in the capital reserve. The total of 25,638,421 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 consequently, basic and diluted earnings per ordinary share are equivalent in both the year ended 31 March 2024 and 31 March 2023.

7. **Financial Assets at Fair Value through Profit or Loss – Investments**

	2024 £000	2023 £000
Investment portfolio	**126,592**	127,406
Accrued income and other assets*	**2,070**	-
Financial assets at fair value through profit and loss	**128,662**	127,406

* Relates to accrued income which is not past due which has been disclosed as part of the investment value. Prior year income was not included as it was not material.

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. An active 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 fixed income securities classified as held at fair value through profit or loss. The Company held no such investments at 31 March 2024.

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 and earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. All of the Company's investments fall into this category at 31 March 2024.

Notes to the Financial Statements (continued)

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

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

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

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

Valuation of Investments

Full details of the methods used by the Company are set out in note 1 of these financial statements. Where investments are held in listed investment funds, 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 2024 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1	
	Unquoted Investments £000	Listed Investment Funds £000	Total Investments £000
Opening cost	73,515	4,676	78,191
Opening investment holding gain (loss)	49,846	(631)	49,215
Opening fair value at 1 April 2023	**123,361**	**4,045**	**127,406**
Additions at cost	9,140	250	9,390
Disposal proceeds	(16,523)	(4,105)	(20,628)
Net profit (loss) on disposal*	4,569	(190)	4,379
Change in fair value	6,561	-	6,561
Foreign exchange loss	(516)	-	(516)
Closing fair value at 31 March 2024	**126,592**	**-**	**126,592**
Closing cost	77,385	-	77,385
Closing investment holding gain	49,207	-	49,207
Closing fair value at 31 March 2024	**126,592**	**-**	**126,592**

* The net profit on disposal in the table above is £4,379,000 whereas that shown in the Statement of Comprehensive Income is £4,475,000. The difference comprises the change in the value of deferred proceeds totalling £96,000 in respect of assets which have been disposed of and are not included within the investment portfolio at 1 April 2023.

There were no individual reductions in fair value during the year that exceeded 5 per cent of the total assets of the Company (2023: £nil).

Level 3 valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes in fair value of financial assets held at the price of recent investment, or to adjust revenue and earnings multiples. IFRS 13 requires an entity to disclose quantitative information about the significant unobservable inputs used. Of the Company's level 3 investments, 91 per cent are held on a revenue multiple basis and 7 per cent on an earnings multiple basis, which have significant judgement applied to the valuation inputs. The table on page 77 sets out the range of Revenue Multiple (RM), Earnings Multiple (EM), and discounts applied in arriving at investments valued on these bases. The remaining 2 per cent are valued based on net asset value reviewed for change in fair value.

Revenue Multiple inputs		Application Software	Cloud & DevOps	Data	New Media	Retail & Brands	Tech-enabled Services
2024	**Revenue Multiple Range**	**4.77-6.67**	**2.51-6.67**	**4.77-15.15**	**0.97-6.30**	**1.18**	**1.60-6.30**
	Revenue Multiple Weighted Average	**6.47**	**6.32**	**12.41**	**2.59**	**1.18**	**5.30**
2023	Revenue Multiple Range	4.73-6.59	2.52-6.30	4.73-11.28	1.26-6.59	0.97-1.41	1.90-6.59
	Revenue Multiple Weighted Average	6.26	5.76	10.21	3.56	1.22	5.39
2024	**Combined RM and/or Marketability Discount Range**	**20%-76%**	**36%-44%**	**20%-44%**	**20%-68%**	**24%**	**20%-68%**
	Combined RM and/or Marketability Discount Weighted Average	**47%**	**41%**	**24%**	**35%**	**24%**	**39%**
2023	Combined RM and/or Marketability Discount Range	24%-56%	36%-65%	0%-56%	28%-52%	24%-56%	36%-68%
	Combined RM and/or Marketability Discount Weighted Average	48%	44%	9%	38%	42%	44%

Earnings Multiple inputs		Business Services	New Media	Retail & Brands	Tech-enabled Services
2024	**Earnings Multiple**	**6.67**	**6.33**	**8.09**	**15.21**
	Earnings Multiple Weighted Average	**6.67**	**6.33**	**8.09**	**15.21**
2023	Earnings Multiple Range	6.15-8.40	6.74	n/a	15.54
	Earnings Multiple Weighted Average	7.52	6.74	n/a	15.54
2024	**Combined EM and Marketability Discount**	**28%**	**20%**	**28%**	**36%**
	Combined EM and Marketability Discount Weighted Average	**28%**	**20%**	**28%**	**36%**
2023	Combined EM and Marketability Discount Range	20%-48%	36%	n/a	56%
	Combined EM and Marketability Discount Weighted Average	33%	36%	n/a	56%

Notes to the Financial Statements (continued)

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

The standard also requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. Each unquoted portfolio company has been reviewed in order to identify the sensitivity of the valuation methodology to using alternative assumptions, which still fall within the IPEV Guidelines (see page 66). Where discounts have been applied (for example to revenue/earnings levels or multiple ratios) alternatives have been considered. For each unquoted investment, two scenarios have been modelled, principally a 5 per cent change to discount rates, although other factors were considered on an individual portfolio company basis: more prudent assumptions (downside case) and more optimistic assumptions (upside case). Applying the downside case, the value of the unquoted investments would be £5.2 million or 4.1 per cent lower (2023: £4.7 million or 3.8 per cent lower). Using the upside case, the value would be increased by £5.5 million or 4.3 per cent (2023: £4.8 million or 3.9 per cent).

Movements in investments at fair value through profit or loss during the previous year to 31 March 2023 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1	
	Unquoted Investments £000	Listed Investment Funds £000	Total Investments £000
Opening cost	59,265	4,618	63,883
Opening investment holding gain	41,894	88	41,982
Opening fair value at 1 April 2022	**101,159**	**4,706**	**105,865**
Additions at cost	28,326	506	28,832
Capitalised income	60	-	60
Disposal proceeds	(20,365)	(351)	(20,716)
Net profit (loss) on disposal	5,273	(60)	5,213
Change in fair value	7,098	(756)	6,342
Foreign exchange gain	1,810	-	1,810
Closing fair value at 31 March 2023	**123,361**	**4,045**	**127,406**
Closing cost	73,515	4,676	78,191
Closing investment holding gain (loss)	49,846	(631)	49,215
Closing fair value at 31 March 2023	**123,361**	**4,045**	**127,406**

The following disposals took place in the year:

	Net proceeds from sale £000	Cost £000	Opening carrying value as at 1 April 2023 £000	Profit (loss) on disposal £000
Unquoted investments:				
Displayplan Holdings Limited	9,636	130	7,901	1,735
E2E Engineering Limited	1,960	900	1,200	760
Ncam Technologies Limited	1,682	2,512	1,659	23
Macro Art Holdings Limited	1,484	481	558	926
KeTech Holdings Limited*	1,461	-	593	868
Arcus Global Limited*	300	1,245	43	257
Total from portfolio	**16,523**	**5,268**	**11,954**	**4,569**
Wakefield Acoustics (via Malvar Engineering Limited)	96	-	-	96
Deferred consideration	**96**	**-**	**-**	**96**
Listed investment funds**	4,105	4,928	4,295	(190)
Total from investment portfolio***	**20,724**	**10,196**	**16,249**	**4,475**

* Partial realisation.

** Opening value includes further investments made during the year.

*** The total from disposals in the year in the table above is £20,724,000 whereas that shown in the Statement of Cash flows is £19,721,000. The difference comprises deferred proceeds of £1,003,000 which will be received in subsequent years.

Notes to the Financial Statements (continued)

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

The following disposals took place in the year to 31 March 2023:

	Net proceeds from sale £000	Cost £000	Opening carrying value as at 1 April 2022 £000	Profit (loss) on disposal £000
Unquoted investments:				
Springboard Research Holdings Limited	8,673	2,822	6,638	2,035
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	6,119	2,934	5,051	1,068
Vuealta Group Limited*	4,601	2,954	3,163	1,438
Wakefield Acoustics (via Malvar Engineering Limited)	972	1,080	-	972
Arraco Global Markets Limited*	-	2,670	240	(240)
Seven Technologies Holdings Limited	-	1,677	-	-
Total from portfolio	**20,365**	**14,137**	**15,092**	**5,273**
Listed investment funds	351	447	411	(60)
Total from investment portfolio	**20,716**	**14,584**	**15,503**	**5,213**

* Opening carrying value includes further investments made during the year.

Significant Interests

YFM Private Equity Limited, the Company's Manager, also acts as manager to certain other funds that have invested in some of the companies within the current portfolio of the Company. Details of these investments are summarised in the tables below.

At 31 March 2024 the Company held a significant holding of at least 20 per cent of the issued ordinary share capital, either individually or alongside commonly managed funds, in the following companies:

Company	Principal activity	No of shares held by the Company	Percentage of class held by the Company*	Percentage of class held by commonly managed funds*
ACC Aviation Group Limited**	Business Services	220,000	28%	69%
Arcus Global Limited	Application Software	103,331	21%	37%
AutomatePro Limited	Cloud & DevOps	63,848	11%	25%
EL Support Services Limited**	Investment Company	3,500	50%	100%
Elucidat Ltd	Application Software	6,039	15%	25%
Force24 Ltd	Application Software	35,678	20%	39%
KeTech Technology Holdings Limited	Tech-enabled Services	128,333	12%	35%
NB Technology Services Limited**	Investment Company	3,500	50%	100%
OC Engineering Services Limited**	Investment Company	3,500	50%	100%
Outpost VFX Limited	New Media	5,993,778	17%	35%
Quality Clouds Limited	Cloud & DevOps	410,927	13%	29%
Panintelligence (via Paninsight Limited)	Data	34,068	15%	35%
Relative Insight Limited	Tech-enabled Services	432,650	15%	25%
SH Healthcare Services Limited**	Investment Company	3,500	50%	100%
SharpCloud Software Limited	Data	39,514	20%	40%
Sipsynergy (via Hosted Network Services Limited)**	Cloud & DevOps	7,316,668	24%	62%
SP Manufacturing Services Limited**	Investment Company	3,500	50%	100%
Tonkotsu Limited	Retail & Brands	50,493	18%	38%
Traveltek Group Holdings Limited	Application Software	41,420	15%	42%
Unbiased EC1 Limited	Tech-enabled Services	1,547,601	19%	35%
Vuealta Holdings Limited**	Tech-enabled Services	90,884	28%	51%
Vypr Validation Technologies Limited	Tech-enabled Services	19,854	19%	32%
Wooshii Limited	New Media	1,458,310	20%	37%

* Fully diluted holding.
** The registered office of these significant holdings is given on the inside back cover.

Notes to the Financial Statements (continued)

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

The amounts shown below are the net cost of investments as at 31 March 2024 and exclude those companies which are in receivership or liquidation.

	British Smaller Companies VCT plc £000	British Smaller Companies VCT2 plc £000	Other commonly managed funds £000	Total £000
ACC Aviation Group Limited	220	145	185	550
Arcus Global Limited	1,830	1,220	-	3,050
AutomatePro Limited	2,225	1,483	1,292	5,000
Biorelate Limited	1,560	1,040	-	2,600
Biz2Mobile Limited	1,898	1,265	-	3,163
DrDoctor (via ICNH Limited)	3,565	2,377	1,031	6,973
Eikon Holdco Limited	750	500	250	1,500
EL Support Services Limited	500	500	-	1,000
Elucidat Ltd	4,261	2,840	-	7,101
Force24 Ltd	3,900	2,600	1,300	7,800
Frescobol Carioca Ltd	1,800	1,200	500	3,500
GEEIQ (via Checkpoint GG Limited)	2,358	1,572	-	3,930
Intamac Systems Limited	302	905	-	1,207
KeTech Technology Holdings Limited	10	10	10	30
Matillion Limited	1,778	1,456	549	3,783
NB Technology Services Limited	500	500	-	1,000
OC Engineering Services Limited	500	500	-	1,000
Outpost VFX Limited	5,750	3,833	1,917	11,500
Panintelligence (via Paninsight Limited)	1,500	1,000	1,000	3,500
Plandek Limited	2,070	1,380	-	3,450
Quality Clouds Limited	3,916	2,610	1,675	8,201
Relative Insight Limited	4,200	2,800	-	7,000
SH Healthcare Services Limited	500	500	-	1,000
SharpCloud Software Limited	3,577	2,385	1,388	7,350
Sipsynergy (via Hosted Network Services Ltd)	2,654	2,045	1,851	6,550
SP Manufacturing Services Limited	500	500	-	1,000
Summize Limited	1,800	1,200	-	3,000
TeraView Limited	377	377	-	754
Tonkotsu Limited	2,388	1,592	995	4,975
Traveltek Group Holdings Limited	1,715	1,163	3,580	6,458
Unbiased EC1 Limited	5,596	3,731	1,223	10,550

	British Smaller Companies VCT plc £000	British Smaller Companies VCT2 plc £000	Other commonly managed funds £000	Total £000
Vuealta Holdings Limited	626	417	127	1,170
Vypr Validation Technologies Limited	3,300	2,200	-	5,500
Wooshii Limited	4,644	3,096	1,551	9,291
Workbuzz Analytics Limited	2,577	1,718	500	4,795
Xapien (via Digital Insight Technologies Ltd)	1,740	1,160	-	2,900

Significant Holdings

	Profit (loss) before taxation £million	Net assets (liabilities) £million
ACC Aviation Group Limited	(0.72)	8.10
EL Support Services Limited	0.10	0.32
NB Technology Services Limited	0.01	(0.11)
OC Engineering Services Limited	0.04	0.06
SH Healthcare Services Limited	0.13	(0.17)
Sipsynergy (via Hosted Network Services Ltd)	(1.05)	0.05
SP Manufacturing Services Limited	-	(0.98)
Vuealta Holdings Limited*	n/a	n/a

* Statutory accounts for this entity not yet available.

8. Accrued Income and Other Assets

	2024 £000	2023 £000
Non-current assets:		
Accrued income on financial assets	**-**	1,556
Current assets:		
Accrued income on financial assets	**18**	8
Accrued income on cash, cash equivalents and cash deposits	**320**	39
Prepayments and other debtors	**1,044**	114
	1,382	161

Non-current assets relates to income receivable on exit from the relevant investee company where this is expected to be more than one year from the balance sheet date.

The carrying amounts of the Company's accrued income are denominated in sterling.

Notes to the Financial Statements (continued)

9. Current Asset Investments and Cash and Cash Equivalents

	2024 £000	2023 £000
Money market funds	**53,500**	7,501
Current asset investments	**53,500**	7,501
Cash at bank	**36,304**	20,766
Cash and cash equivalents	**89,804**	28,267

10. Trade and Other Payables

	2024 £000	2023 £000
Amounts payable within one year:		
Incentive fee	**-**	125
Accrued expenses	**248**	233
	248	358

An amount of £nil has been accrued within trade and other payables in relation to the performance incentive fee for the year ended 31 March 2024 (2023: £125,000 for the year ended 31 March 2023), as further explained in note 3.

11. Called-up Share Capital

	2024 Allotted, called-up and fully paid £000	2023 Allotted, called-up and fully paid £000
Ordinary shares of 10 pence		
Issued 288,297,782 (2023: 209,687,044) including 25,638,421 shares held in treasury (2023: 22,007,765)	**28,830**	20,969

The movements in the year were as follows:

		Price pence	Date	Number of shares	Share Capital £000
Total as at 1 April 2023				209,687,044	20,969
Issue of shares	Fundraising	85.14-89.53	4 April 2023	53,559,905	5,356
Issue of shares	DRIS	81.70	28 July 2023	1,270,231	127
Issue of shares	DRIS	80.40	8 December 2023	1,220,008	122
Issue of shares	Fundraising	81.62-85.96	30 January 2024	22,560,594	2,256
As at 31 March 2024 (including treasury shares)				**288,297,782**	**28,830**
As at 31 March 2024 (excluding treasury shares)				**262,659,361**	

The movement in the previous year to 31 March 2023 was as follows:

		Price pence	Date	Number of shares	Share Capital £000
Total as at 1 April 2022				205,095,127	20,510
Issue of shares	DRIS	83.70	12 July 2022	1,029,555	103
Issue of shares	DRIS	82.80	3 October 2022	1,054,908	105
Issue of shares	DRIS	78.50	11 January 2023	2,507,454	251
As at 31 March 2023 (including treasury shares)				**209,687,044**	**20,969**
As at 31 March 2023 (excluding treasury shares)				**187,679,279**	

During the year the Company purchased 3,630,656 (2023: 3,172,783) of its own shares and these shares are held on the balance sheet in the Capital Reserve. Full details of the share purchases are set out in the Directors' Report under the heading 'Buy-Back and Issue of Shares'. The treasury shares have been included in calculating the number of ordinary shares in issue, and excluded in calculating the number of ordinary shares with voting rights in issue, at 31 March 2024 and 31 March 2023.

12. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £219,600,000 (2023: £157,032,000) and 262,659,361 (2023: 187,679,279) 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 2024.

The Company has no potentially dilutive shares and consequently, basic and diluted net asset values per ordinary share are equivalent in both the years ended 31 March 2024 and 31 March 2023.

13. Total Return per Ordinary Share

The Total Return per ordinary share is calculated on cumulative dividends paid of 178.9 pence per ordinary share (2023: 174.9 pence per ordinary share) plus the net asset value as calculated per note 12.

Notes to the Financial Statements (continued)

14. Financial Commitments

There are no financial commitments at 31 March 2024 or 31 March 2023.

15. Events after the Balance Sheet Date

On 3 April 2024 the Company allotted the final shares from its fully subscribed 2023/24 share offer. Gross proceeds of £36.8 million were raised, resulting in the issue of 42,588,037 ordinary shares. This increased the number of ordinary shares issued with voting rights to 305,247,398.

Subsequent to the year end, £4.7 million has been invested into two new investments, Fuuse and Ohalo.

16. Financial Instruments

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

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

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

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

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

Assets as per balance sheet

	2024		2023	
	Other assets at amortised cost £000	**Assets at fair value through profit or loss £000**	Other assets at amortised cost £000	Assets at fair value through profit or loss £000
Non-current assets at fair value through profit or loss				
Financial assets	**-**	**128,662**	-	127,406
Accrued income on financial assets	**-**	**-**	-	1,556
Current assets				
Cash and cash equivalents	**89,804**	**-**	28,267	-
Accrued income on financial assets	**-**	**18**	-	8
Accrued income on cash and cash equivalents	**320**	**-**	39	-
	90,124	**128,680**	28,306	128,970
Other assets – not financial instruments	**1,044**	**-**	114	-
	91,168	**128,680**	28,420	128,970

Liabilities as per balance sheet

	2024 Other financial liabilities £000	2023 Other financial liabilities £000
Trade and other payables	**(248)**	(233)
Performance incentive fee	**-**	(125)
	(248)	(358)

Assets classified as fair value through profit or loss were designated as such upon initial recognition.

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

16a Market Risk

Market Price Risk

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

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

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

Of the Company's financial assets through profit or loss, 100 per cent are in unquoted companies held at fair value (2023: 97 per cent). The valuation methodology for these investments includes the application of externally produced revenue and earnings multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Investments have been valued in line with the Guidelines described within note 1. Those using revenue and earnings multiple methodologies include judgements regarding the level of discount applied to that multiple. The effect of changing the level of discounts applied to the multiples is considered in note 7 on page 78.

Of the Company's financial assets through profit or loss, nil per cent (2023: 3 per cent) are investment funds listed on the main market of the London Stock Exchange (including FCA authorised and regulated UCITS funds). A 5 per cent increase in stock prices as at 31 March 2024 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £nil (2023: £202,000). An equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by an equal amount.

The largest single concentration of risk relates to the Company's investment in Matillion Limited which constitutes 12.5 per cent (2023: 16.0 per cent) of the net assets attributable to the Company's shareholders. The Board seeks to mitigate this risk by diversifying the portfolio and monitors the status of all investments on an ongoing basis. The average investment (excluding those whose value has been reduced to nil) is 1.7 per cent (2023: 2.2 per cent) of the value of net assets.

Notes to the Financial Statements (continued)

16. Financial Instruments (continued)

Comparison of Realised Proceeds to Unrealised Valuations

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

Full disposal	Date of Disposal	Sale Proceeds £000	Valuation £000	Increase (decrease) £000
Waterfall Services Limited	Dec-14	3,854	1,952	1,902
President Engineering Group Limited	Jul-15	7,534	4,071	3,463
Insider Technologies (Holdings) Limited	Oct-15	1,159	880	279
Callstream Group Limited	Mar-16	785	773	12
Go Outdoors Topco Limited	Nov-16 & Apr-11	20,849	9,932	10,917
Cambrian Park & Leisure Homes Limited	Mar-17	-	1,876	(1,876)
Ness (Holdings) Limited	Mar-17	229	764	(535)
Selima Holding Company Ltd	May-17	2,811	923	1,888
Harvey Jones Holdings Limited	Aug-17	970	1,113	(143)
PowerOasis Limited	Sep-18	-	273	(273)
GTK (Holdco) Limited	Dec-18	3,751	2,738	1,013
Mangar Health Limited	Dec-18	5,513	3,962	1,551
Gill Marine Holdings Limited	Dec-18	3,802	2,569	1,233
Leengate Holdings Limited	Apr-19	1,936	1,769	167
Eikon Holdco Limited (partial realisation)	Oct-19	6,314	2,250	4,064
Business Collaborator Limited	Mar-20	8,085	3,662	4,423
RMS Group Holdings Limited	Jun-20	1,446	907	539
Bagel Nash Group Limited	Oct-20	150	607	(457)
Deep-Secure Ltd	Jul-21	6,560	2,956	3,604
Arraco Global Markets Limited	Sep-22	-	1,625	(1,625)
Intelligent Office UK (via IO Outsourcing Limited)	Sep-22	6,119	4,600	1,519
Springboard Research Holdings Limited	Sep-22	8,673	6,186	2,487
Vuealta Group Limited (partial realisation)	Dec-22	4,601	3,092	1,509
Wakefield Acoustics (via Malvar Engineering Limited)	Jan-23	1,068	278	790
Ncam Technologies Limited	Apr-23	1,682	2,213	(531)
E2E Engineering Limited	Nov-23	1,960	1,148	812
Macro Art Holdings Limited	Nov-23	1,484	229	1,255
Displayplan Holdings Limited	Feb-24	9,636	7,630	2,006
Other	Dec-14 to Mar-23	94	-	94
		111,065	**70,978**	**40,087**

Interest Rate Risk

The Company's venture capital investments include £3,250,000 (2023: £3,385,000) of loan stock in unquoted companies. The majority of this loan stock at 31 March 2024 is at fixed rates to guard against fluctuations in interest rates. As a result the Company is only exposed to cash flow interest rate risk on £678,000 (2023: £610,000) of its loan stock portfolio.

The Company has some exposure to interest rates as a result of interest earned on bank deposits and money market funds. Other financial assets (being accrued income) and other financial liabilities (being accrued expenses) attract no interest.

A sensitivity analysis has not been performed as the amounts involved are not considered to be significant and the interest earned is also dependent on the level of funds held which fluctuates significantly throughout the year.

		2024			2023	
	£000	Weighted average interest rate %	Weighted average time for which rate is fixed Months	£000	Weighted average interest rate %	Weighted average time for which rate is fixed Months
Fixed rate loan stock and preference shares	**10,123**	**9.3**	**51**	8,270	8.9	15
Cash on fixed term deposit	**-**	**-**	**-**	6,970	1.9	2
Combined	**10,123**	**9.3**	**51**	15,240	5.7	9

Exchange Rate Risk

Of the Company's financial assets measured at fair value through profit or loss, 22 per cent (2023: 20 per cent) are denominated in US dollars. A 5 per cent increase in the £:$ exchange rate at 31 March 2024 would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by £1,305,000 (2023: £1,200,000). An equal change in the opposite direction would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £1,443,000 (2023: £1,326,000).

16b Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets excluding equity investments total £111,559,000 (2023: £51,265,000) which best represents the maximum credit risk exposure at the balance sheet date.

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

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

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

Notes to the Financial Statements (continued)

16. Financial Instruments (continued)

The only significant assets not held at fair value are cash and cash equivalents, cash on fixed term deposit and money market funds. The funds held by the Company are held across a number of financial institutions to spread the risk. Bankruptcy or insolvency of these financial institutions may cause the Company's rights with respect to the funds held by the financial institutions to be delayed or limited. The financial institutions used by the Company are large and reputable. Should the credit quality or the financial position of the financial institutions deteriorate significantly the Manager will move the holdings to another financial institution. Any expected credit loss associated with the balances are considered to be highly immaterial.

The maturities of the loan stock portfolio are as follows:

		2024 £000			2023 £000	
	<1 year	**1-2 years**	**2-5 years**	<1 year	1-2 years	2-5 years
Unquoted loan investments	**887**	**-**	**2,363**	600	1,175	1,610

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

	2024		2023	
	< 1 year £000	**1-2 years £000**	< 1 year £000	1-2 years £000
Loans to investee companies past due	**-**	**-**	600	886

16c Liquidity Risk

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

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

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

The Company's overall liquidity risks are monitored on a quarterly basis by the Board. The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. Of the Company's assets 40.9 per cent (2023: 20.6 per cent) are in the form of liquid funds. There are no undrawn committed borrowing facilities at either year end. The Company does not have a material amount of liabilities at the year end.

17. Capital Management

The Company's objectives when managing capital are:

> To safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

> To ensure sufficient liquid resources are available to meet the funding requirements of its investments and to fund new investments where identified.

The Company has no external debt; consequently all capital is represented by the value of share capital, distributable and other reserves. Total shareholder equity at 31 March 2024 was £219,600,000 (2023: £157,032,000).

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

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

18. Related Party Transactions

Fees payable during the year to the directors and their interests in the shares of the Company are disclosed within the Directors' Remuneration Report on page 50. There were no amounts outstanding and due to the directors at 31 March 2024 (2023: £nil).

Notice of the Annual General Meeting

No: 03134749
BRITISH SMALLER COMPANIES VCT PLC

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at Thomas House, 84 Ecclestone Square, London SW1V 1PX on 10 September 2024 at 9:30 am for the following purposes:

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

Ordinary Resolutions

(1) That the annual report and accounts for the year ended 31 March 2024 be received.

(2) That the Directors' Remuneration Report for the year ended 31 March 2024 be approved other than the part of such report containing the Directors' Remuneration Policy.

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

(4) That Mr A C N Bastin be re-elected as a director.

(5) That Mr J H Cartwright be re-elected as a director.

(6) That Ms P Sapre be re-elected as a director.

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

(8) That the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £9,000,000 (representing approximately 29.5 per cent of the Ordinary share capital in issue as at the date of this Notice), during the period commencing on the passing of this Resolution and expiring on the later of 15 months from the passing of this Resolution or the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares in the Company to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and the directors may allot shares in the Company in pursuance of any such offer or agreement notwithstanding the expiry of such authority, and that all previous authorities given to the directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

(9) That, in addition to existing authorities, the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot shares in the Company up to an aggregate nominal amount of £2,000,000 in connection with the Company's Dividend Re-investment Scheme (representing approximately 6.6 per cent of the Ordinary share capital in issue as at the date of this Notice) during the period commencing on the passing of this Resolution and expiring on the later of 15 months from the passing of this Resolution or the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting) but so that this authority shall allow the Company to make, before the expiry of this authority, any offers or agreements which would or might require shares in the Company to be allotted after such expiry and the directors may allot shares in the Company in pursuance of any such offer or agreement notwithstanding the expiry of such authority.

Special Resolutions

(10) That the directors be and are hereby empowered in accordance with Section 570(1) of the Act during the period commencing on the passing of this Resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of this Resolution, whichever is the later, (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in Resolution 8 above as if Section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the allotment for cash of equity securities up to an aggregate nominal amount of £9,000,000, but so that this authority shall allow the Company to make offers or agreements before the expiry and the directors may allot securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. This

power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 560(3) of the Act as if in the first sentence of this Resolution the words "pursuant to the general authority conferred upon the directors in Resolution 8 above" were omitted.

(11) That conditional upon the passing of Resolution 9 above and in addition to existing authorities, the directors be and hereby are empowered pursuant to Section 571 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 560(1) of the Act) for cash pursuant to the authority granted by Resolution 9 above, as if Section 561 of the Act did not apply to any such allotment and so that:

(a) reference to allotment of equity securities in this Resolution shall be construed in accordance with Section 560(2) of the Act; and

(b) the power conferred by this Resolution shall enable the Company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding the expiry of such power.

The power provided by this Resolution shall expire on the later of 15 months from the passing of this Resolution or on the conclusion of the Company's next Annual General Meeting (unless previously revoked, varied or extended by the Company in general meeting).

By order of the Board

The City Partnership (UK) Limited
Company Secretary

14 June 2024

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

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

Notice of the Annual General Meeting (continued)

Notes:

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

- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

(b) To be valid, a Form of Proxy must be completed and signed and with the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield, HD4 7BH not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at (and prior to the commencement of) the meeting at which the demand is made. If no voting indication is given in the Form of Proxy, your proxy will vote (or abstain from voting) as they think fit in relation to any matter put to the Annual General Meeting.

(c) To be valid, any Form of Proxy or other instrument appointing a proxy, must be returned by no later than 48 hours before the time the Annual General Meeting is scheduled to begin, through any one of the following methods:

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

The City Partnership (UK) Limited
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH;

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

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

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

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

(f) In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to The City Partnership (UK) Limited, The Mending Rooms, Park Valley Mills, Meltham Road, Huddersfield, HD4 7BH. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by The City Partnership before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke their proxy appointment but the revocation is received after the time specified then, subject to note (g) directly below, the proxy appointment will remain valid.

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

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

(i) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at close of business on 6 September 2024 or, in the event that the Annual General Meeting is adjourned, on the Register of Members at close of business on the day two days before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after close of business on 6 September 2024 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

(j) As at 14 June 2024 the Company's issued share capital comprised 305,247,398 ordinary shares of 10 pence each with a further 25,638,421 shares held in treasury. Those treasury shares represented 7.7 per cent of the total issued share capital (including treasury shares) at the aforementioned date. Each ordinary share carries one voting right at the Annual General Meeting of the Company and so the total number of voting rights in the Company as at 14 June 2024 was 305,247,398. The website referred to above will include information on the number of ordinary shares and voting rights.

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

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

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

Notice of the Annual General Meeting (continued)

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

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

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

(p) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland’s specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent (8RA57) not less than 48 hours (excluding weekends and public holidays) before the time of the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Advisers to the Company

Manager

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

Registrars

The City Partnership (UK) Limited
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

Solicitors

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

Stockbrokers

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

Promoter

RAM Capital Partners LLP
18 Soho Square
London
W1D 3QL

Independent Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

VCT Status Adviser

Philip Hare & Associates LLP
6 Snow Hill
London
EC1A 2AY

Bankers

Santander UK plc
44 Merrion Street
Leeds
LS2 8JQ

Company Secretary

The City Partnership (UK) Limited
The Mending Rooms
Park Valley Mills
Meltham Road
Huddersfield
HD4 7BH

Depositary

Thompson Taraz Depositary Limited
4th Floor, Stanhope House
47 Park Lane
London
W1K 1PR

Registered Offices of Significant Holdings

ACC Aviation Group Limited:
Belgrave House,
39-43 Monument Hill,
Weybridge,
Surrey, KT13 8RN

Investment companies:

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

Sipsynergy Limited (via Hosted Network Services Limited):
17 Unit 17, Tollgate Business Centre,
Eastleigh, Hampshire,
SO33 3TG

Vuealta Holdings Limited:
Harwood House,
Harwood Road,
London, SW6 4QP

YFM Equity Partners

British Smaller Companies VCT plc
5th Floor, Valiant Building
14 South Parade
Leeds LS1 5QS

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Email info@yfmep.com

bscfunds.com

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