

British Smaller Companies VCT plc

Annual Financial Report Announcement

for the year ended 31 March 2021

British Smaller Companies VCT plc (the “Company”) today announces its audited results for the year ended 31 March 2021.

HIGHLIGHTS

- 24.6 per cent return on opening net assets
- 46 per cent overall growth in the investment portfolio value
- Total Return of 24.5 per cent over five years
- Total Return increased by 15.3p to 233.2p per share
- Offer for Subscription fully subscribed raising £6.8 million
- Four new investments and two follow-on investments totalling £8.5 million were completed during the year. A further three follow-on investments totalling £2.0 million have been completed since the year end
- Net asset value at 31 March 2021 of 75.8p per share (2020: 64.5p)
- The Board is declaring a first interim dividend of 2.0p per share in respect of the year ending 31 March 2022

Chairman's Statement

I am pleased to present the Company's Annual Report and Accounts for the year ended 31 March 2021. At the time of writing the UK's vaccination programme is well underway which has led to further relaxations in the restrictions imposed to combat the pandemic. Whilst trading conditions have been very different to previous years, the majority of the portfolio has seen strong recovery and growth in value, with 22 companies exhibiting a combined increase in unrealised value of £25.05 million; six experiencing an aggregate reduction in value of £3.58 million, and six others static. An additional £0.72 million of value was delivered from additional consideration from realised investments delivering a total of £22.19 million in the year, which was 45.9 per cent over its opening value.

This performance reflects a combination of good execution by the various management teams, and also that the portfolio has less exposure to the sectors most significantly impacted by Covid-19, principally UK hospitality, international travel and entertainment and leisure. With a strong emphasis on enterprise software and business services with a focus on data analytics, security and application software combined with the movement from on-premises to cloud and the increasing bias to enhanced connectivity and remote working, we have seen strong underlying growth for many of the services and products offered by our portfolio companies.

Consequently this has delivered a 15.3 pence per ordinary share increase in Total Return, which is equivalent to an annualised return of 24.6 per cent on the opening net asset value at 31 March 2020. Total Return is now 233.2 pence per ordinary share.

It is pleasing to report that the second half saw the completion of four new investment opportunities and a small level of follow-on funding, totalling £8.51 million.

Realisations in the Year

Realisations of investments and loan repayments generated total proceeds of £2.53 million, a gain of £1.74 million over the opening carrying value and £0.81 million over the original cost. There was one significant realisation in the year, which was RMS in June 2020, which generated proceeds of £1.45 million, representing a capital profit over cost of £1.27 million. Including income the total return from this investment was £2.71 million over a 12.9 year holding period, and produced an internal rate of return of 16 per cent.

The Company also received the final deferred proceeds of £0.72 million from realised investments which included £0.47 million from Business Collaborator, taking the total return from this investment to £9.03 million over a 5.4 year holding period, producing an internal rate of return of 34 per cent and 4.5x cost.

New Investments

As noted above, the second half of the year has seen new investment recommence after a slow down during the first lockdown, with four new investments totalling £7.65 million in the period. There were also two follow-on investments totalling £0.86 million during the year. The new investments are:

Investment	Sector
Arraco	Interdealer commodities broker
Force24	Cloud-based marketing automation technology
Outpost	Visual effects for film and TV
Vypr	Cloud-based data validation platform

In January 2021 Matillion raised \$100 million to fund the next phase of its growth, providing further validation of its business model. The fundraising was led by Lightspeed Ventures, who are a US venture capital firm, with the three existing US investors all investing further.

Financial Results

During the year your Company paid interim dividends of 4.0 pence per ordinary share in respect of the year ended 31 March 2021, bringing the cumulative dividends paid to 31 March 2021 to 157.4 pence per ordinary share.

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

	Pence per ordinary share	£000
NAV at 31 March 2020	64.5	88,961
Increase in portfolio value	14.8	20,454
Gain on disposal of investments	1.3	1,736
Gain arising from investment portfolio	16.1	22,190
Value realised as income	(2.1)	(2,897)
Investment portfolio return	14.0	19,293
Gain on quoted investments	0.1	86
Net underlying change in portfolio	14.1	19,379
Net income after expenses	1.4	1,960
Issue/buy-back of new shares	(0.2)	5,571
	15.3	26,910
NAV before the payment of dividends	79.8	115,871
Dividends paid	(4.0)	(5,511)
NAV at 31 March 2021	75.8	110,360
Cumulative dividends paid	157.4	
Total Return:	At 31 March 2021	233.2
	At 31 March 2020	217.9

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

As at 31 March 2021, over two thirds of the portfolio’s value now comprises investments that have been made since November 2015. The significant majority of these have been funded with equity instruments where the returns are capital in nature generating little or no income which is reflected in the income statement below: excluding the ordinary dividend of £2.90 million received from ACC Aviation, income fell to £1.18 million, compared to £1.52 million in the previous financial year and £2.30 million in 2019.

This trend will continue as the proportion of new investments continues to grow.

Shareholder Relations

Annual General Meeting

With the planned lifting of lockdown restrictions the Board hopes to be able to hold this year’s Annual General Meeting (AGM) in person. This year’s AGM will be held at 9:30 am on 10 September 2021 at 33 St James Square, London, SW1Y 4JS. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 95 of the annual report.

If the AGM cannot be held in person for any reason the Board will inform shareholders of the alternative arrangements.

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 2021. Cumulative dividends paid as at 31 March 2021 were 157.4 pence per ordinary share.

An interim dividend for the year ending 31 March 2022 of 2.0 pence per ordinary share will be paid on 23 July 2021 to shareholders on the register of members as at the record date of 25 June 2021.

Dividend Re-investment Scheme (“DRIS”)

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

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

For the financial year ended 31 March 2021 out of dividends totalling £5.51 million, £1.51 million were re-invested in your Company by way of the DRIS.

Following a review of market practice, during the year the terms of the DRIS were changed with new shares now issued at the last reported Net Asset Value, as adjusted for any dividends, rather than at a 5 per cent discount.

Liquidity and Fundraising

The Company launched a fundraising on 2 February 2021, which closed on 22 February 2021 with the Company receiving net proceeds of £6.84 million. The related allotment of 9,291,092 ordinary shares took place on 8 March 2021. At 31 March 2021 the Company’s cash and other liquid reserves of £34.97 million represented 31.7 per cent of net assets.

Shareholder Relations

The electronic communications policy continues to be a great success, with 84 per cent of shareholders now receiving communications in this way. Documents such as the annual report are published on the website www.bscfunds.com rather than by post, saving on printing costs, as well as being more environmentally friendly.

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

Although your Company was unable to hold its AGM in person last year an on-line version was held, as permitted under the Corporate Insolvency and Governance Act 2020. Although this legislation has now expired, the Company’s Articles of Association were amended at last year’s AGM and now permit AGMs to be held electronically going forwards.

We also had to change our plans for the Investor Workshop and held a webinar version on 14 December 2020 in conjunction with British Smaller Companies VCT2 plc. The webinar, which was attended by over 300 shareholders, included presentations from Business Collaborator, a recent company exit, and Wooshii, a recent investment along with presentations by members of the Manager. Due to the continuing lockdown restrictions there will be an Investor Workshop webinar on 25 June 2021.

Post Balance Sheet Events

The Company has exchanged contracts for the sale of its shareholding in Deep-Secure Ltd. The transaction is subject to regulatory review and customary closing conditions and is expected to close in or before August 2021. If the transaction completes it would result in an uplift in the Company’s NAV per ordinary share as at 31 March 2021 of 1.7 pence per ordinary share, an increase of 2.3 per cent.

Following the year end three follow-on investments totalling £2.02 million have been completed.

Outlook

Despite the initial disruptions brought about by the UK's departure from the EU and being in full lockdown at the start of 2021 the UK economy has proved resilient, with Q1 GDP down just 1.5 per cent. Trade with the EU has improved as businesses have become more familiar with the new trading arrangements and in May we saw the Step 3 easements of the Government's "Roadmap" which bodes well for the eventual lifting of most lockdown measures. Economic recovery is forecast for the rest of 2021 continuing into 2022.

Subsequent to the year-end we have seen increased demand from portfolio companies for capital to support their growth plans. The lockdown in 2021 does not seem to have had the same impact as in 2020 on the UK's small businesses seeking capital which we hope will continue to translate into increasing numbers of investment opportunities as was seen in the latter half of our year to March 2021.

Your Board is therefore reviewing its plans for fundraising and intends to raise further capital later this year and will be announcing more details in due course.

I would like to thank all shareholders for their continued support.

Helen Sinclair
Chairman

Objectives and Key Policies

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

Investment Policy

The investment strategy of the Company is to invest in UK businesses across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.

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

The Company seeks to build a diversified portfolio which ensures compliance with the VCT guidelines in this regard.

Borrowing

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

Co-investment

YFM Private Equity Limited, the Company's Manager, also acts as manager to other funds. British Smaller Companies VCT plc and British Smaller Companies VCT2 plc ("the VCTs") have in aggregate first choice of all investment opportunities meeting the VCT qualifying criteria that require up to £4.5 million of equity. Amounts above £4.5 million will be allocated one third to the Manager's co-investment funds and two thirds to the VCTs. Where there are opportunities for the VCTs to co-invest with each other the basis for allocation is 60 per cent to the Company and 40 per cent to British Smaller Companies VCT2 plc. The Board of the Company has discretion as to whether or not to take up or, where British Smaller Companies VCT2 plc does not take its allocation, increase its allocation in such co-investment opportunities.

Asset mix

Pending investment in VCT-qualifying securities, surplus cash is primarily held in interest bearing instant access, short-notice bank accounts, money market funds and investment funds listed on a recognised stock exchange (including FCA authorised and regulated UCITS funds). Subsequent to the Finance (No. 2) Act 2015 investments can no longer be made in non-qualifying quoted investments traded on an unregulated exchange. This change therefore now excludes most AIM investments in this category.

Remuneration Policy

The Company's policy on the remuneration of its directors, all of whom are non-executive, can be found on page 52 of the annual report.

Other Key Policies

Details of the Company's policies on the payment of dividends, the DRIS and the buy-back of shares are given on page 1 of the annual report. In addition to these the Company's anti-bribery and corruption and environmental and social responsibilities policies can be found on page 38 of the annual report.

Processes and Operations

The Manager is responsible for the sourcing and screening of investment opportunities, carrying out due diligence investigations and making submissions to the Board regarding potential investments. Post investment the Manager intensively works with the businesses and management teams in which the Company is invested, monitoring progress, effecting change and where applicable redefining strategies with a view to maximising values through structured exit processes.

The Board approves all investment and divestment decisions save in that new investments up to £250,000 in companies whose securities are traded on a regulated stock exchange and where the decision is required urgently, in which case the Chairman of the Board of Directors, if appropriate, may act in consultation with the Manager.

The Board regularly monitors the performance of the portfolio and the investment requirements set by the relevant VCT legislation. Reports are received from the Manager regarding the trading and financial position of each investee company and senior members of the Manager regularly attend the Company's Board meetings. Monitoring reports are also received at each Board meeting on compliance with VCT regulations so that the Board can monitor that the Venture Capital Trust status of the Company is maintained and take corrective action if appropriate. Monitoring reports carrying out an independent review of this compliance are received twice a year.

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

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

The Manager is also entitled to receive an amount equivalent to 20 per cent of the amount by which Total Return (net assets per ordinary share plus cumulative dividends per ordinary share) exceeds an agreed target, which increases annually. Further details on how the incentive is calculated are set out in note 3.

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

Administration of the Listed Investment Funds Portfolio

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

Administration of the Money Market Funds

Reporting to the Manager, this portfolio is managed by Goldman Sachs on a discretionary basis. The Board receives regular reports on the make-up of this portfolio.

Key Performance Indicators

Total Return¹, calculated by reference to the cumulative dividends paid plus net asset value (excluding tax reliefs received by shareholders), is the primary measure of performance in the VCT industry.

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

Total Return (as at 31 March)

The chart on page 12 of the annual report shows how the **Total Return** of your Company has developed over the last ten years.

The evaluation of comparative success of the Company's **Total Return** is by way of reference to the **Share Price Total Return** for approximately 46 generalist VCTs as published by the Association of Investment Companies ("the AIC"). This is the Company's stated benchmark index. A comparison and explanation of the calculation of this return is shown in the Directors' Remuneration Report on page 54 of the annual report.

Total Return with DRIS (as at 31 March)

The chart on page 12 of the annual report illustrates the **Total Return** (excluding tax reliefs received by shareholders) for investors who subscribed to the first fundraising in 1996 who have re-invested their dividends.

Shareholder Returns Excluding all Tax Reliefs

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

Year of issue	NAV at 31 March 2021	Cumulative dividends paid since fundraising	Total Return to date ¹	Offer price ²	IRR ³
	Pence	Pence	Pence	Pence	%
1996	75.8	157.4	233.2	100.0	5.0%
1997	75.8	154.4	230.2	100.0	5.1%
1998	75.8	150.7	226.5	105.0	4.9%
2005 (C share) ⁴	85.3	138.2	223.5	100.0	7.1%
2006	75.8	127.0	202.8	99.5	7.5%
2007	75.8	122.5	198.3	102.5	7.5%
2008	75.8	117.5	193.3	106.3	7.3%
2010	75.8	107.5	183.3	97.3	9.7%
2011	75.8	101.2	177.0	128.0	5.2%
2012	75.8	78.2	154.0	99.8	7.0%
2013	75.8	73.2	149.0	95.8	8.1%
2014	75.8	66.7	142.5	100.8	7.2%
2015	75.8	58.7	134.5	99.5	7.3%
2016	75.8	48.7	124.5	102.3	5.4%
2017	75.8	26.7	102.5	84.6	5.8%
2019	75.8	10.0	85.8	76.0	6.7%

Notes

1. Total Return to date is cumulative dividends paid plus the 31 March 2021 net asset value in pence per ordinary share.
2. The offer price for the relevant year excluding the benefit of income tax relief available to investors at the time of the offer.
3. IRR is the unaudited annual rate of return that equates the offer price at the date of the original investment with the value of subsequent dividends plus the 31 March 2021 net asset value per ordinary share. This excludes the benefit of any initial tax relief.
4. All figures have been adjusted for conversion of C shares into ordinary shares in May 2007.

Set out on page 14 of the annual report is the average annual investment rate of return (excluding all tax reliefs) over 1, 3, 5 and 10 years up to 31 March 2021. The average annual investment rate of return comprises the cumulative dividends paid plus the unaudited NAV at 31 March 2021.

Expenses

Ongoing Charges

The Ongoing Charges figure, as calculated in line with the AIC recommended methodology, is an Alternative Performance Measure used by the Board to monitor expenses. This figure shows shareholders the costs of the 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 2021 (%)	Year to 31 March 2020 (%)
Ongoing Charges figure	2.10	2.16

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

Expenses Cap

The total costs incurred by the Company in the year (excluding any performance related fees, trail commission payable to financial intermediaries and VAT) is capped at 2.9 per cent of the total net asset value as at the relevant year end. The treatment of costs in excess of the cap is described in note 3. There was no breach of the expenses cap in the current or prior year.

Compliance with VCT Legislative Tests

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

Under Chapter 3 Part 6 of the Income Tax Act 2007, in addition to the requirement for a VCT's ordinary share capital to be listed in the Official List on a European regulated market throughout the period, there are 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 Holdings Test

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

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

Eligible Shares Test

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

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

At least 10 per cent of the Company's total investment in each Qualifying Investment must be in eligible shares.

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

Investment Limits

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

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

Maximum Single Investment Test

The value of any one investment has, at any time in the period, not represented 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 and therefore cannot be breached passively.

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

Further restrictions placed on VCTs are:

Dividends from Cancelled Share Premium

The Finance Act 2014 introduced a restriction with respect to the use of monies by VCTs. In particular, no dividends can be paid out of cancelled share premium arising from shares allotted on or after 6 April 2014 until at least three full financial years have elapsed from the date of allotment.

The final £1.49 million of previously cancelled share premium became distributable on 1 April 2021.

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.

INVESTMENT PERFORMANCE

Portfolio Structure

The charts on page 16 of the annual report illustrate the broad range of the portfolio with 62 per cent of the portfolio valuation being held for more than 3 years, whilst 84 per cent is held at cost or above. 25 per cent of the portfolio's value is held in income generating financial instruments, although loans now account for only 12 per cent of the value.

Portfolio Analysis

Also included on page 17 of the annual report is a profile of the portfolio by industry sector and the breakdown of the portfolio between investments made before and after the VCT rule changes in 2015.

This year we have refined the sector analyses applied to the portfolio in particular the segmentation of what was previously a single sector, Software, IT and Telecommunications, into a number of sub-sectors. This has also seen some reclassification.

Investment Review

The portfolio delivered a very strong performance in the year, with a return of 45.9 per cent on the opening value of £48.4 million.

Your Portfolio

£22.2 million	Return from portfolio	(2020: £4.0 million loss)
£73.9 million	Fair value of the portfolio	(2020: £48.4 million)
21	Number of portfolio companies with a value of more than £1.0 million	(2020: 16)
£1.1 million*	Income from the portfolio	(2020: £1.3 million)
£8.5 million	Level of investment	(2020: £15.0 million)

*excluding ordinary dividend of £2.90 million received from ACC Aviation.

The underlying increase in the portfolio was £22.19 million, as shown in Table A below.

Table A		
Investment Portfolio	£million	%
Gain in fair value	20.45	92
Gain on disposal over opening value	1.17	5
	21.62	97
Deferred proceeds received	0.57	3
Total portfolio gain	22.19	100
Gain in value of other investments	0.09	
Ordinary dividend received	(2.90)	
Total value movement	19.38	

Of this increase, the Company received a dividend of £2.90 million from ACC Aviation, which was recorded as income and shown in the net income after expenses. The portfolio delivered a value gain of £20.45 million, with strong performances from Matillion, Springboard, Arcus Global, DisplayPlan, Deep-secure, SharpCloud, Unbiased, Frescobol Carioca and Elucidat. Matillion benefited from continued strong growth and, despite largely serving the retail sector, Springboard saw increased demand for footfall data. Arcus benefitted from the disposal of a non-core division, DisplayPlan saw higher demand from FMCG customers and Deep-secure delivered a record year.

The uplifts were offset by the impact of challenging trading conditions from those businesses serving the transport, hospitality and retail sectors, notably ACC Aviation and Friska. Although Frescobol Carioca was initially hit hard by the first lockdown the business has pivoted away from its retail outlets and now looks set for recovery. The Tonkotsu casual dining business also suffered from lockdowns through the year but it has taken the opportunity to improve its margins and refine its operating model, including the development of strong takeaway and home delivery offerings.

An analysis of the movements in the year is shown below.

A gain of £1.74 million arose from the realisation of investments in the year, including £1.02 million from the realisation of RMS, together with £0.72 million of proceeds principally arising from assets previously realised.

At 31 March 2021 the investment portfolio was valued at £73.91 million, representing 67.0 per cent of net assets (54.4 per cent at 31 March 2020).

Other Significant Investment Movements

Investments

During the year ended 31 March 2021 the Company completed six investments totalling £8.51 million. This comprised four new investments of £7.65 million and two follow-on investments of £0.86 million. The analysis of these investments is shown in Table B. The case study on page 24 of the annual report gives more information on the investment in Force24.

Table B Company	Investments made £million		
	New	Follow-on	Total
Force24	2.40	-	2.40
Arraco	2.25	-	2.25
Outpost	1.50	-	1.50
Vypr	1.50	-	1.50
Elucidat	-	0.60	0.60
Ncam	-	0.26	0.26
Invested in the year	7.65	0.86	8.51
Capitalised income			0.09
Total additions in the year			8.60

Following the year end three follow-on investments totalling £2.02 million have been completed.

Disposal of Investments

During the year to 31 March 2021 the Company received proceeds from disposals and repayments of loans of £2.53 million. The largest disposal was that of RMS.

Table C Disposal of Investments	Net proceeds from sale of investments £million	Opening value 31 March 2020 £million	Gain on opening value £million
Unquoted investments	1.78	0.61	1.17
Deferred consideration	0.57	-	0.57
Total from portfolio	2.35	0.61	1.74
Listed investment funds	0.18	0.18	-
Total investment disposals	2.53	0.79	1.74

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

Portfolio Composition

As at 31 March 2021 the portfolio had a value of £73.91 million comprising wholly of unquoted investments. An analysis of the movements in the year is shown below.

The portfolio has 21 investments valued at more than £1.0 million, compared to 16 a year earlier, with the single largest investment, Matillion representing 14.2 per cent of the net asset value. The case study on page 25 of the annual report gives more information on the investment in Matillion.

The charts on pages 16 and 17 of the annual report show the composition of the portfolio as at 31 March 2021 by industry sector, age of investment, investment instrument and the valuation compared to cost. This demonstrates representation across a wide range of industry sectors. Due to the ever-increasing number of technology investments in the portfolio the sector classifications have been revised this year to better reflect the services and products that they provide.

Cash (including fixed term deposits) and other investments (listed investment funds and money market funds detailed below) at 31 March 2021 totalled £34.97 million representing 31.7 per cent of net assets (45.2 per cent at 31 March 2020).

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

As part of this your Company holds a small diversified portfolio of listed investment funds. At 31 March 2021 this portfolio was valued at £4.84 million, or 4.4 per cent of net assets (5.4 per cent at 31 March 2020). In addition, the Company has also invested £2.50 million into Goldman Sach's GS Sterling Liquid Reserves Fund and at 31 March 2021 this portfolio was valued at £2.50 million, or 2.3 per cent of net assets (2.8 per cent at 31 March 2020).

Valuation Policy

Unquoted investments are valued in accordance with the valuation policy set out in note 1 below, which takes account of current industry guidelines for the valuation of venture capital portfolios. The December 2018 update to the IPEVC Guidelines discourages the use of cost or price of a recent investment as a primary basis for valuation. As a result the policy is to use the recent round basis for the first quarter date immediately following the round, but then switch to a new primary basis for all subsequent periods. This change has in fact had little impact on the portfolio's valuation as we have calibrated the valuation basis used to the recent investment round. We would only expect significant adjustments to recent investment values where an investment is significantly under- or over-performing. In addition to the December 2018 update of the Guidelines the Company has followed the IPEVC's Special Valuation Guidance issued in March 2020 in response to the impact of the coronavirus pandemic.

As at 31 March 2021 the value of investments falling into each valuation category is shown in Table D. With continued investment in younger businesses that are investing for growth a higher proportion of valuations are based on a multiple of Revenue.

Table D Valuation Policy	2021		2020
	Valuation £million	% of portfolio by value	% of portfolio by value
Revenue multiple	49.98	68	54
Earnings multiple	18.43	25	41
Cost or price of recent investment, reviewed for change in fair value	3.17	4	-
Net assets, reviewed for change in fair value	2.33	3	5
Total	73.91	100	100

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

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

In order to deliver more sustainable businesses the Manager has continued to develop its processes in this area, including signing up to the United Nations’ Principles for Responsible Investment (UNPRI). The Manager’s approach is based on the belief that good businesses can:

- 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 reduce, minimise and where possible avoid 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 UNPRI and to integrate its principles into the Manager’s business practices.

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

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

Pre-investment Phase

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

Portfolio Phase

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

Reporting

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

ESG performance data and reporting

ESG KPI data analysis

The Manager has developed its ESG KPI data collation process during 2020. They have established a data set reflecting the above ESG themes and a means of collecting this to make year on year comparisons for each company and across all of its portfolios. Where possible baseline data has been collected from the date of investment with a view to showing where the Manager's support has made a difference during the hold period to the reporting date.

Annual company specific ESG performance progress report

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

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

2020 ESG KPI report

Growing our economy

- £10.0 million of R&D investment during 2020
- £34.3 million of export sales achieved in 2020

Improving our society

- 90 per cent of companies were independently chaired in 2020
- 30 per cent of companies had female directors on boards, with 18 per cent having a female CEO

Valuing our people

- 30 per cent of the portfolio workforce was female in 2020
- All but one of our companies paid all their staff above the National Living Wage/Minimum Wage in 2020
- 401 new jobs were created from date of investment to 2020

Protecting our environment

- 50 per cent of companies have plastic reduction strategies in place
- 35 per cent of companies had active carbon reduction strategies, up from 15 per cent at investment, but only 10 per cent formally measure their carbon footprint

Summary and Outlook

The portfolio has adapted to the many changes to the working environment in various ways, including new products, services and delivery models, and we continue to encourage this. We have also continued to invest in our team, with five new recruits in the past 12 months.

As you would expect, new investment levels fell sharply in the first half of the year, with most fundraising discussions postponed in the period immediately after the first lockdown. During this time we maintained close contact with those companies we had been actively engaged with and we eventually saw new investments come through. We have an active pipeline of new opportunities and your Company is well placed to meet the demand for funding as government support measures are withdrawn and the economy starts to recover.

David Hall

YFM Private Equity Limited

Portfolio Summary at 31 March 2021

Name of company	Date of initial investment	Location	Industry Sector	Current cost	Valuation at 31 March 2021	Proceeds to date	Realised & unrealised value to date*
				£000	£000	£000	£000
Matillion Limited	Nov-16	Manchester	Data & Analytics	2,046	15,658	2,105	17,763
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	May-14	Alloa	Business Services	2,934	4,698	-	4,698
Springboard Research Holdings Limited	Oct-14	Milton Keynes	Data & Analytics	2,733	4,180	180	4,360
Deep-Secure Ltd	Dec-09	Malvern	Software Applications	1,000	4,121	-	4,121
Unbiased EC1 Limited	Dec-19	London	Software Applications	2,946	4,026	-	4,026
Elucidat Ltd	May-19	Brighton	Software Applications	2,700	3,587	-	3,587
ACC Aviation Group Limited**	Nov-14	Reigate	Business Services	220	3,298	1,848	5,146
Arcus Global Limited	May-18	Cambridge	Software Applications	2,925	3,124	-	3,124
Force24 Ltd	Nov-20	Leeds	Software Applications	2,400	2,902	-	2,902
DisplayPlan Holdings Limited	Jan-12	Stevenage	New Media	130	2,742	1,521	4,263
KeTech Enterprises Limited	Nov-15	Nottingham	Data & Analytics	1,500	2,725	500	3,225
SharpCloud Software Limited	Oct-19	London	Data & Analytics	2,190	2,720	-	2,720
Wooshii Limited	May-19	London	New Media	2,160	2,617	-	2,617
Arraco Global Markets Limited	Dec-20	London	Business Services	2,250	2,297	-	2,297
Ncam Technologies Limited	Mar-18	London	New Media	2,381	2,229	-	2,229
Tonkotsu Limited	Jun-19	London	Retail & Brands	2,388	1,551	-	1,551
Outpost VFX Limited	Feb-21	Bournemouth	New Media	1,500	1,500	-	1,500
Vypr Validation Technologies Limited	Jan-21	Manchester	Data & Analytics	1,500	1,500	-	1,500
Sipsynergy (via Hosted Network Services Limited)	Jun-16	Hampshire	Software Applications	1,770	1,470	-	1,470
Panintelligence (via Paninsight Limited)	Nov-19	Leeds	Data & Analytics	1,500	1,125	-	1,125
Traveltek Group Holdings Limited	Oct-16	East Kilbride	Software Applications	1,716	1,111	-	1,111
Frescobol Carioca Ltd	Mar-19	London	Retail & Brands	1,800	907	-	907
Other investments £0.75 million and below				12,265	3,817	8,598	12,415
Total investments				54,954	73,905	14,752	88,657
Full disposals to date				56,282	-	107,558	107,558
Total portfolio				111,236	73,905	122,310	196,215

* represents proceeds received to date plus the unrealised valuation at 31 March 2021.

**additional ordinary dividends of £2.90 million have also been received.

Summary of Portfolio Movement since 31 March 2020

Name of Company	Investment Valuation at 31 March 2020	Disposal proceeds	Ordinary dividends received	Additions including capitalised income	Valuation gains including profits on disposal	Investment valuation at 31 March 2021
	£000	£000	£000	£000	£000	£000
Unquoted portfolio						
Matillion Limited	7,015	-	-	-	8,643	15,658
Arcus Global Limited	1,662	-	-	-	1,462	3,124
SharpCloud Software Limited	1,539	-	-	-	1,181	2,720
Unbiased EC1 Limited	3,033	-	-	-	993	4,026
Frescobol Carioca Limited	-	-	-	-	907	907
Elucidat Ltd	2,148	-	-	600	839	3,587
Wooshii Limited	2,065	-	-	-	552	2,617
Force24 Ltd	-	-	-	2,400	502	2,902
Tonkotsu Limited	1,105	-	-	-	446	1,551
Ncam Technologies Limited	1,610	-	-	261	358	2,229
Traveltek Group Holdings Limited	870	-	-	-	241	1,111
Sipsynergy (via Hosted Network Services Limited)	1,319	-	-	-	151	1,470
Arraco Global Markets Limited	-	-	-	2,250	47	2,297
Outpost VFX Limited	-	-	-	1,500	-	1,500
Vypr Validation Technologies Limited	-	-	-	1,500	-	1,500
Other investments £0.75 million and below	1,168	-	-	-	(269)	899
Panintelligence (via Paninsight Limited)	1,500	-	-	-	(375)	1,125
Friska Limited	798	-	-	-	(798)	-
Investments made after November 2015	25,832	-	-	8,511	14,880	49,223
Springboard Research Holdings Limited	1,877	(180)	-	89	2,394	4,180
DisplayPlan Holdings Limited	1,175	-	-	-	1,567	2,742
Deep-Secure Ltd	2,599	-	-	-	1,522	4,121
RMS Group Holdings Limited	430	(1,446)	-	-	1,016	-
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	4,066	-	-	-	632	4,698
KeTech Enterprises Limited	2,197	-	-	-	528	2,725
Other investments £0.75 million and below	2,661	(150)	-	-	407	2,918
ACC Aviation Group Limited	7,521	-	(2,897)	-	(1,326)	3,298
Investments made prior to November 2015	22,526	(1,776)	(2,897)	89	6,740	24,682
Total investments	48,358	(1,776)	(2,897)	8,600	21,620	73,905

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 occurrence of the coronavirus pandemic has created heightened uncertainty, but has not changed the nature of the principal risks. The Board considers that the present processes for mitigating those risks remain appropriate. The Board seeks to mitigate its emerging and principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in section 4: "Audit, Risk and Internal Control" of The UK Corporate Governance Code issued by the Financial Reporting Council in July 2018. Details of the Company's internal controls are contained in the Corporate Governance Internal Control section on pages 50 and 51 of the annual report and further information on exposure to risks including those associated with financial instruments is given in note 17a of the financial statements.

Loss of Approval as a VCT

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

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

Economic

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

Mitigation - As well as the response to 'Investment and Strategic' risk below the Company has a clear investment policy (summarised above) and a diversified portfolio operating in a range of sectors. The Manager actively monitors investee performance which provides quality information for monthly reviews of the portfolio. The Manager ensures that the portfolio has plans to manage the impact of economic risk. The Manager has continuously monitored the impact of Brexit and the Covid-19 pandemic and provides support as necessary.

Investment and Strategic

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

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

Regulatory

Risk – The Company is required to comply with the Companies Act 2006, the rules of the UK Listing Authority, the Prospectus Rules made by the Financial Conduct Authority and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS and is subject to the AIFMD EU Exit Regulations. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Mitigation - The Manager and the Company Secretary have procedures in place to ensure recurring Listing Rules requirements are met and actively consult with brokers, solicitors and external compliance advisers as appropriate. The key controls around regulatory compliance are explained on pages 50 and 51 of the annual report.

Reputational

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

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

Operational

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

Mitigation - The Manager has a documented business continuity plan, which provides for back-up services in the event of a system breakdown. The Manager's systems are designed to provide protection in the event of virus or other cyber-attacks. When the Covid-19 pandemic struck the Manager and other service providers implemented their business continuity plans with no loss of service.

Financial

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

Mitigation - The Company's internal control and risk management processes are described on pages 50 and 51 of the annual report.

Market/Liquidity

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

Mitigation - Overall liquidity risks are monitored on an ongoing basis by the Manager and on a quarterly basis by the Board.

Other Matters

Section 172 Statement

This section sets out your Company's Section 172 Statement and should be read in conjunction with the other contents of the Strategic Report on pages 6 to 38 of the annual report.

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

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

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

Key Stakeholders

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

Investors

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

The Company encourages shareholders to attend its Annual General Meeting (AGM) and, due to the Corporate Insolvency and Governance Act 2020 the Company was able to hold a form of electronic AGM on 10 September last year. Shareholders passed a resolution at last year's AGM allowing electronic general meetings to be held in future. On the assumption that lockdown restrictions will have been lifted in time, this year's AGM will revert to the normal in-person meeting.

Along with British Smaller Companies VCT2 plc the Company normally holds an annual Investor Workshop, which is always well attended. It was not possible to hold this in its normal format so an on-line workshop was held in December 2020, which was attended by over 300 shareholders. The Manager has also recently carried out a shareholder survey.

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.

On 28 January 2021 the Company issued an unaudited net asset value per ordinary share as at 31 December 2020, following the material increase in the final quarter of 2020 and, after carefully considering its funding needs the Company announced a non-prospectus offer to raise up to £7.05 million on 2 February 2021.

During the year the Board kept its arrangements for dividends, share buy-backs and the dividend re-investment scheme under constant review. Due to the market volatility brought about by the Covid-19 pandemic the Company suspended its share buy-back and dividend re-investment policies on 20 March 2020 and these were subsequently reinstated on 24 June 2020. In addition, on 25 November 2020 the Company announced that, following a review of market practice, it would be writing to shareholders giving notice that new shares issued under the dividend re-investment scheme would in future be issued at the last reported net asset value per share.

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 and 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 portfolio businesses quickly adapted to the impact of the Covid-19 pandemic and the Manager put in place weekly monitoring reviews, as well as providing the portfolio with regular updates on the availability of government funding initiatives. Cash flow forecasts were kept under constant review and additional funding was provided where appropriate.

Deal flow was disrupted for most of the year but four new investments were made in the second half of the year. The Company continued to realise its more mature investments, completing its exit from RMS in June 2020.

Employees

The Company has no employees. The Board is composed of one female non-executive director and three male non-executive directors. For a review of the policies used when appointing directors to the Board of the Company please refer to the Directors' Remuneration Report.

Environment and Community

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

More details of the work that the Manager has done in this area are set out above. 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 modern slavery. The following is a summary of its policy:

- > it is the Company's policy to conduct all of its business in an honest and ethical manner. The Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships;
- > the directors of the Company, the Manager and any other service providers must not promise, offer, give, request, agree to receive or accept financial or other advantage in return for favourable treatment, to influence a business outcome or gain any business advantage on behalf of the Company or encourage others to do so;
- > the Company has communicated its anti-bribery policy to the Manager and its other service providers and, in turn, the Manager ensures that portfolio companies implement appropriate policies of their own; and
- > the Manager has its own Anti-Bribery and Anti-modern Slavery policies and ensures that portfolio companies adopt a similar policy.

Helen Sinclair
Chairman

Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	2021			2020		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments	7	-	1,740	1,740	-	7,913	7,913
Gains (losses) on investments held at fair value	7	-	17,639	17,639	-	(12,017)	(12,017)
		-	19,379	19,379	-	(4,104)	(4,104)
Income	2	4,074	-	4,074	1,517	-	1,517
Total income (expense)		4,074	19,379	23,453	1,517	(4,104)	(2,587)
Administrative expenses:							
Manager's fee		(419)	(1,256)	(1,675)	(430)	(1,288)	(1,718)
Other expenses		(439)	-	(439)	(786)	-	(786)
	3	(858)	(1,256)	(2,114)	(1,216)	(1,288)	(2,504)
Profit (loss) before taxation		3,216	18,123	21,339	301	(5,392)	(5,091)
Taxation	4	-	-	-	-	-	-
Profit (loss) for the year		3,216	18,123	21,339	301	(5,392)	(5,091)
Total comprehensive income (expense) for the year		3,216	18,123	21,339	301	(5,392)	(5,091)
Basic and diluted earnings (loss) per ordinary share	6	2.32p	13.06p	15.38p	0.22p	(3.86p)	(3.64p)

The accompanying notes on pages 68 to 93 of the annual report are an integral part of these financial statements.

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in April 2021 – "SORP") published by the AIC.

Balance Sheet

At 31 March 2021

	Notes	2021 £000	2020 £000
Assets			
Non-current assets at fair value through profit or loss			
Investments	7	73,905	48,358
Listed investment funds	7	4,838	4,789
Financial assets at fair value through profit or loss	7	78,743	53,147
Accrued income and other assets		704	367
		79,447	53,514
Current assets			
Accrued income and other assets		971	229
Current asset investments		9,471	9,471
Cash and cash equivalents		20,657	25,952
		31,099	35,652
Liabilities			
Current liabilities			
Trade and other payables		(186)	(205)
Net current assets		30,913	35,447
Net assets		110,360	88,961
Shareholders' equity			
Share capital		16,131	14,950
Share premium account		29,995	22,838
Capital reserve		41,106	49,624
Investment holding gains and losses reserve		18,944	375
Revenue reserve		4,184	1,174
Total shareholders' equity		110,360	88,961
Net asset value per ordinary share	8	75.8p	64.5p

The accompanying notes on pages 68 to 93 of the annual report are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 15 June 2021.

Statement of Changes in Equity

For the year ended 31 March 2021

	Share capital	Share premium account	Capital reserve	Investment holding gains and losses reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	11,833	2,868	49,556	15,250	2,516	82,023
<i>Revenue return for the year</i>	-	-	-	-	301	301
<i>Expenses charged to capital</i>	-	-	(1,288)	-	-	(1,288)
<i>Loss on investments held at fair value</i>	-	-	-	(12,017)	-	(12,017)
<i>Gain on disposal of investments in the year</i>	-	-	7,913	-	-	7,913
Total comprehensive income (expense) for the year	-	-	6,625	(12,017)	301	(5,091)
<i>Issue of share capital</i>	2,877	19,338	-	-	-	22,215
<i>Issue of shares – DRIS</i>	240	1,357	-	-	-	1,597
<i>Issue costs</i>	-	(725)	(207)	-	-	(932)
<i>Purchase of own shares</i>	-	-	(2,503)	-	-	(2,503)
<i>Dividends</i>	-	-	(6,705)	-	(1,643)	(8,348)
Total transactions with owners	3,117	19,970	(9,415)	-	(1,643)	12,029
Realisation of prior year investment holding gains	-	-	2,858	(2,858)	-	-
Balance at 31 March 2020	14,950	22,838	49,624	375	1,174	88,961
<i>Revenue return for the year</i>	-	-	-	-	3,216	3,216
<i>Expenses charged to capital</i>	-	-	(1,256)	-	-	(1,256)
<i>Gain on investments held at fair value</i>	-	-	-	17,639	-	17,639
<i>Gain on disposal of investments in the year</i>	-	-	1,740	-	-	1,740
Total comprehensive income for the year	-	-	484	17,639	3,216	21,339
<i>Issue of share capital</i>	929	6,121	-	-	-	7,050
<i>Issue of shares – DRIS</i>	252	1,257	-	-	-	1,509
<i>Issue costs</i>	-	(221)	(35)	-	-	(256)
<i>Purchase of own shares</i>	-	-	(2,732)	-	-	(2,732)
<i>Dividends</i>	-	-	(5,305)	-	(206)	(5,511)
Total transactions with owners	1,181	7,157	(8,072)	-	(206)	60
Realisation of prior year investment holding losses	-	-	(930)	930	-	-
Balance at 31 March 2021	16,131	29,995	41,106	18,944	4,184	110,360

The accompanying notes on pages 68 to 93 of the annual report are an integral part of these financial statements.

Reserves available for distribution

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

	Capital reserve	Revenue reserve	Total
	£000	£000	£000
Distributable reserves as above	41,106	4,184	45,290
<i>Less : income not yet distributable</i>	-	(1,275)	(1,275)
Reserves available for distribution¹	41,106	2,909	44,015

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

The capital reserve and revenue reserve are both distributable reserves. The reserves total £45,290,000 representing a decrease of £5,508,000 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 £45,290,000 shown above, £1,275,000 relates to income not yet distributable. The final £1,491,000 of previously cancelled share premium became distributable on 1 April 2021.

Statement of Cash Flows For the year ended 31 March 2021

	Notes	2021 £000	2020 £000
Net cash inflow (outflow) from operating activities		1,004	(427)
Cash flows (used in) from investing activities			
Purchase of financial assets at fair value through profit or loss	7	(8,661)	(17,413)
Proceeds from sale of financial assets at fair value through profit or loss	7	1,813	19,744
Deferred consideration	7	489	490
Net cash (outflow) inflow from investing activities		(6,359)	2,821
Cash flows from (used in) financing activities			
Issue of ordinary shares		7,050	22,215
Costs of ordinary share issues*		(256)	(932)
Purchase of own ordinary shares		(2,732)	(2,503)
Dividends paid	5	(4,002)	(6,751)
Net cash inflow from financing activities		60	12,029
Net (decrease) increase in cash and cash equivalents		(5,295)	14,423
Cash and cash equivalents at the beginning of the year		28,453	14,030
Cash and cash equivalents at the end of the year		23,158	28,453

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

Cash and cash equivalents comprise

Money market funds		2,501	2,501
Cash at bank		20,657	25,952
Cash and cash equivalents at the end of the year		23,158	28,453

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

	2021 £000	2020 £000
Profit (loss) before taxation	21,339	(5,091)
(Decrease) increase in trade and other payables	(19)	36
(Increase) decrease in accrued income and other assets	(848)	613
Gain on disposal of investments	(1,740)	(7,913)
(Gains) losses on investments held at fair value	(17,639)	12,017
Capitalised income	(89)	(89)
Net cash inflow (outflow) from operating activities	1,004	(427)

The accompanying notes on pages 68 to 93 of the annual report are an integral part of these financial statements.

Notes to the Financial Statements

1. Principal Accounting Policies

Basis of Preparation

The accounts have been prepared on a going concern basis as set out in the Directors Report on page 40 of the annual report and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost basis as modified by the measurement of investments at fair value through profit or loss.

The accounts have been prepared in compliance with the recommendations set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies (issued in April 2021 – "SORP") to the extent that they do not conflict with International Accounting Standards in conformity with the Companies Act 2006.

The financial statements are prepared in accordance with IFRSs and interpretations in force at the reporting date. New standards coming into force during the year have not had a material impact on these financial statements.

The Company has carried out an assessment of accounting standards, amendments and interpretations that have been issued by the IASB and that are effective for the current reporting period. The Company has determined that the transitional effects of the standards do not have a material impact.

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

Financial Assets held at Fair Value through Profit or Loss

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

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

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

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

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

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

Valuation of Investments

Unquoted investments are valued in accordance with IFRS 13 "Fair Value Measurement" and, using the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines ("the Guidelines") issued in December 2018 and updated in March 2020. 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 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 Guidelines the price of recent investment will usually only be used for the initial period following the round and after this an alternative basis will be found.

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

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

Quoted Investments and Listed Investment Funds

Quoted investments and listed investment funds are valued at active market bid price. An active market is defined as one where transactions take place regularly with sufficient volume and frequency to determine price on an ongoing basis. No methodology other than active market bid price has been applied as at 31 March 2021.

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 cash deposits. 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.

Cash, Cash Equivalents and Current Asset Investments

Cash at bank comprises cash at hand and bank deposits repayable on up to three months' notice.

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

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

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

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

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

Share Capital and Reserves

Share Capital

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

Share Premium Account

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

Capital Reserve

The following are included within this reserve:

- Gains and losses on realisation of investments;
- Realised losses upon permanent diminution in value of investments;
- Capital income from investments;
- 75 per cent of the Manager's fee expense, together with the related taxation effect to this reserve in accordance with the policy on expenses in note 1;
- 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 of the annual report.

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

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

2. Income

	2021	2020
	£000	£000
Dividends from unquoted companies	3,336	450
Dividends from AIM quoted companies	-	12
Interest on loans to unquoted companies	522	681
Income from investment portfolio	3,858	1,143
Dividends from listed investment funds	70	70
Interest from listed investment funds	54	44
Income from investments held at fair value through profit or loss	3,982	1,257
Interest on bank deposits	92	260
	4,074	1,517

3. Administrative Expenses

	2021	2020
	£000	£000
Manager's fee	1,675	1,718
Administration fee	68	66
Total payable to YFM Private Equity Limited	1,743	1,784
Other expenses:		
Directors' remuneration	126	108
Trail commission paid to financial intermediaries	82	114
General expenses	80	91
Listing and registrar fees	57	53
Auditor's remuneration (excluding irrecoverable VAT):		
- audit of the statutory financial statements	38	33
Printing	36	30
Irrecoverable VAT	31	32
	2,193	2,245
Fair value movement related to credit risk	(79)	259
	2,114	2,504
Ongoing charges figure	2.10%	2.16%

Directors' remuneration comprises only short term benefits including social security contributions of £9,000 (2020: £8,000).

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

No fees are payable to the auditor in respect of other services (2020: £nil).

YFM Private Equity Limited provides Investment Advisory services to the Company under an Administrative and Investment Advisory agreement (IAA) dated 28 February 1996 as varied by agreements dated 1 July 2009, 16 November 2012, 17 October 2014, 24 August 2015 and 18 November 2019. The agreement may be terminated by not less than 12 months' notice given by either party at any time. No notice has been issued to or by YFM Private Equity Limited terminating the contract as at the date of this Report.

Under an Investment Agreement dated 18 November 2019 YFM Private Equity Limited was appointed as the Company's Alternative Fund Manager. As a result the Company was de-registered by the Financial Conduct Authority as a Small Registered Alternative Investment Fund Manager on 24 March 2020 and responsibility for the custody of the Company's investments passed to YFM Private Equity Limited on that date.

The key features of the IAA are:

- YFM Private Equity Limited receives a Manager's fee, calculated at half-yearly intervals as at 31 March and 30 September, at the rate of 2.0 per cent of gross assets less current liabilities. The fee is allocated between capital and revenue as described in note 1. The fee is payable quarterly in advance.
- With effect from 1 April 2019 the annual fee payable to the Manager is 1.0 per cent on all surplus cash, defined as all cash above £15 million, unless an incentive fee has been paid under the new agreement in which case the amount determined to be surplus will be the excess over £7.5 million. The annual fee on all other assets will be 2.0 per cent of net assets per annum. Based on the Company's net assets at 31 March 2021 of £110,360,000 and cash of £27,627,000 at that date, this equates to £2,081,000 per annum.
- Under the IAA YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee of £35,000 per annum (at 28 February 1996) plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged fully to revenue, and totalled £68,000 for the year ended 31 March 2021 (2020: £66,000); 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 (2020: £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 2021, the Company was due a rebate from the Manager of £nil (2020: £nil).

The total remuneration payable to YFM Private Equity Limited under the IAA in the period was £1,743,000 (2020: £1,784,000).

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 IAA, YFM Private Equity Limited is entitled to receive fees from investee companies in respect of the provision of non-executive directors and other advisory services. YFM Private Equity Limited is responsible for paying the due diligence and other costs incurred in connection with proposed investments which for whatever reason do not proceed to completion. In the year ended 31 March 2021 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £764,000 (2020: £972,000).

The Manager will receive an amount equivalent to 20 per cent of the amount by which Total Return (net assets per ordinary share plus cumulative dividends per ordinary share) exceeds an agreed target, which increases annually. With effect from 31 March 2019 the agreed target was 228.6 pence per ordinary share and the annual increase is equivalent to 4.0 pence per ordinary share, as increased or decreased by the percentage increase or decrease (if any) in RPI from 1 April 2009.

There is also a minimum level of dividends required in order to pay an incentive fee, which was 4.0 pence per ordinary share (increasing in line with RPI) from 1 April 2009. For the year ended 31 March 2021 the requirement was 5.5 pence per ordinary share.

If the annual incentive fee exceeds a certain threshold then the excess is deferred until following the next year's Annual General Meeting. Payment of the remainder is made five business days after the relevant Annual General Meeting at which the audited accounts are presented to shareholders.

The Total Return hurdle for the year ended 31 March 2021 was 244.8 pence per ordinary share while the Total Return at 31 March 2021 was 233.2 pence per ordinary share, a shortfall of 11.6 pence per ordinary share. The total dividends paid in the year were 4.0 pence per ordinary share. As a result, the Manager has not met the targets for the year under review and no incentive fee has accrued to the Manager (31 March 2020: £nil).

The Total Return Hurdle for the year ending 31 March 2022 is 250.4 pence per ordinary share. The minimum level of dividends required in order to pay an incentive fee is 5.6 pence per ordinary share.

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 Total Expenses Ratio is no greater than 5 per cent of the net asset value at the end of the financial year (as adjusted for all realised gains that have been distributed during that year). Any unpaid incentive payment will be carried over to subsequent financial years and be included in the calculation of the Total Expenses Ratio. Except with shareholder approval the maximum fee payable in any 12 month period will not exceed £7,500,000.

There are also provisions for a compensatory fee in circumstances where the Company is taken over or the Incentive Agreement is terminated, which is calculated as a percentage of the fee that would otherwise be payable under the Incentive Agreement by reference to the accounting period following its termination. In this instance 80 per cent is payable in the first accounting period after such an event, 55 per cent in the second, 35 per cent in the third and nothing is payable thereafter.

Under the terms of the offer launched with British Smaller Companies VCT2 on 28 November 2018, YFM Private Equity Limited was entitled to 4.5 per cent of gross subscriptions from execution brokers and 2.5 per cent of applications through intermediaries offering financial advice or directly from applicants, less the cost of re-investment of intermediary commission. The net amount paid to YFM Private Equity Limited under this offer amounted to £701,000.

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

The Manager met all costs and expenses arising out of these offers out of these fees, including any payment or re-investment of initial intermediary commissions.

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 52 of the annual report under the heading "Directors' Remuneration for the year ended 31 March 2021 (audited)".

4. Taxation

	2021			2020		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit (loss) before taxation	3,216	18,123	21,339	301	(5,392)	(5,091)
Profit (loss) before taxation multiplied by standard rate of corporation tax in UK of 19% (2020: 19%)	611	3,443	4,054	57	(1,024)	(967)
Effect of:						
UK dividends received	(644)	-	(644)	(94)	-	(94)
Non-taxable profits on investments	-	(3,682)	(3,682)	-	780	780
Deferred tax not recognised	33	239	272	37	244	281
Tax charge	-	-	-	-	-	-

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

Deferred tax assets of £2,543,000 (2020: £2,274,000) calculated at 19% in respect of unrelieved management expenses of £13.39 million as at 31 March 2021 (2020: £11.97 million) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which assets can be recovered.

Due to the Company's status as a venture capital trust and the continued intention to meet with the conditions required to comply with Section 274 of the Income Tax Act 2007, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

5. Dividends

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

	2021			2020		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Interim dividend for the year ended 31 March 2021 of 2.0p (2020: 4.0p) per ordinary share	206	2,537	2,743	-	5,565	5,565
Second interim dividend for the year ended 31 March 2021 of 2.0p (2020: 2.0p) per ordinary share	-	2,768	2,768	1,643	1,140	2,783
	206	5,305	5,511	1,643	6,705	8,348
Shares allotted under DRIS			(1,509)			(1,597)
Dividends paid in Statement of Cash Flows			4,002			6,751

The interim dividend of 2.0 pence per ordinary share was paid on 31 July 2020 to shareholders on the register as at 3 July 2020.

The second interim dividend of 2.0 pence per ordinary share was paid on 5 October 2020 to shareholders on the register as at 21 August 2020.

An interim dividend of 2.0 pence per ordinary share in respect of the year ending 31 March 2022 has been announced. This dividend has not been recognised in the year ended 31 March 2021 as the obligation did not exist at the balance sheet date.

6. Basic and Diluted Earnings (Loss) per Ordinary Share

The basic and diluted earnings (loss) per ordinary share is based on the profit after tax attributable to shareholders of £21,339,000 (2020: loss of 5,091,000) and 138,775,882 (2020: 139,675,725) 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 £3,216,000 (2020: £301,000) and 138,775,882 (2020: 139,675,725) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital earnings (loss) per ordinary share is based on the capital profit for the year attributable to shareholders of £18,123,000 (2020: loss of £5,392,000) and 138,775,882 (2020: 139,675,725) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 9,291,092 new ordinary shares from the fundraising, and 2,519,719 new ordinary shares in respect of its DRIS.

The Company has also repurchased 4,093,191 of its own shares in the year, and these shares are held in the Capital Reserve. The total of 15,686,181 treasury shares has been excluded in calculating the weighted average number of ordinary shares for the period. The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per ordinary share are the same.

The Company has no potentially dilutive shares and hence the basic and diluted earnings per ordinary share are equivalent for both of the years ended 31 March 2021 and 31 March 2020.

7. Financial Assets at Fair Value through Profit or Loss

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

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

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

Level 3: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as earnings or revenue multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The majority of the Company's investments fall into this category at 31 March 2021.

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. Where investments are held in quoted stocks, fair value is set at the market bid price.

Movements in investments at fair value through profit or loss during the year to 31 March 2021 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1	Total Investments
	Unquoted Investments	Listed Investment Funds	
	£000	£000	£000
Opening cost	47,897	4,875	52,772
Opening investment holding gain (loss)	461	(86)	375
Opening fair value at 1 April 2020	48,358	4,789	53,147
Additions at cost	8,511	150	8,661
Capitalised income	89	-	89
Disposal proceeds	(1,776)	(187)	(1,963)
Net profit on disposal*	1,166	4	1,170
Change in fair value	17,557	82	17,639
Closing fair value at 31 March 2021	73,905	4,838	78,743
Closing cost	54,954	4,845	59,799
Closing investment holding gain (loss)	18,951	(7)	18,944
Closing fair value at 31 March 2021	73,905	4,838	78,743

*The net profit on disposal in the table above is £1,170,000 whereas that shown in the Statement of Comprehensive Income is £1,740,000. The difference comprises the change in the value of deferred proceeds totalling £570,000 in respect of assets which have been disposed of and are not included within the investment portfolio at 1 April 2020.

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

	Net proceeds from sale	Cost	Opening carrying value as at 1 April 2020	Profit on disposal
	£000	£000	£000	£000
<i>Unquoted investments:</i>				
RMS Group Holdings Limited	1,446	180	430	1,016
Springboard Research Holdings Limited	180	180	180	-
Bagel Nash Group Limited	150	944	-	150
Macro Art Holdings Limited	-	239	-	-
Total from unquoted investments	1,776	1,543	610	1,166
<i>Deferred proceeds:</i>				
Business Collaborator Limited	474	-	-	474
Ness (Holdings) Limited	96	-	-	96
Total from deferred proceeds	570	-	-	570
Total from investment portfolio	2,346	1,543	610	1,736
Listed investment funds	187	180	183	4
Total	2,533	1,723	793	1,740

The total from disposals in the table above is £2,533,000 whereas that shown in the Statement of Cash Flows (including deferred consideration) is £2,302,000. This is due to the timing differences between the recognition of the deferred income and its receipt in cash.

8. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £110,360,000 (2020: £88,961,000) and 145,624,667 (2020: 137,907,047) 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 2021 and 31 March 2020.

The Company has no potentially dilutive shares and hence the basic and diluted net asset values per ordinary share are the same.

9. Total Return per Ordinary Share

The Total Return per ordinary share is calculated on cumulative dividends paid of 157.4 pence per ordinary share (2020: 153.4 pence per ordinary share) plus the net asset value as calculated per note 8.

10. Financial Commitments

There are no financial commitments at 31 March 2021 or 31 March 2020.

11. Related Party Transactions

Fees payable during the year to the directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report on pages 52 to 54 of the annual report. There were no amounts outstanding and due to the directors at 31 March 2021 (2020: £nil).

12. Events after the Balance Sheet Date

The Company has exchanged contracts for the sale of its shareholding in Deep-Secure Ltd. The transaction is subject to regulatory review and customary closing conditions and is expected to close in or before August 2021. If the transaction completes it would result in an uplift in the Company's NAV per ordinary share as at 31 March 2021 of 1.7 pence per ordinary share, an increase of 2.3 per cent.

Following the year end three follow-on investments totalling £2,024,000 have been completed.

13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 March 2021 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>. They can also shortly be viewed on the Company's website at www.bscfunds.com. Hard copies of the statutory accounts for the year to 31 March 2021 will be distributed by post or electronically to shareholders and will thereafter be available to members of the public from the Company's registered office.

14. Directors

The directors of the Company are Ms H Sinclair, Mr A C N Bastin, Mr J H Cartwright and Mr R Cook.

15. Annual General Meeting

The Annual General Meeting of the Company will be held at 9:30 am on 10 September 2021 at 33 St James Square, London, SW1Y 4JS.

16. Interim dividend for the year ending 31 March 2022

The directors are pleased to announce the payment of an interim dividend for the year ending 31 March 2022 of 2.0 pence per ordinary share ("Interim Dividend").

The Interim Dividend will be paid on 23 July 2021 to those shareholders on the Company's register at the close of business 25 June 2021. The ex-dividend date will be 24 June 2021.

The directors are not proposing a final dividend for the year ended 31 March 2021.

17. Dividend Re-investment Scheme

The Company operates a dividend re-investment scheme ("DRIS"). The latest date for receipt of DRIS elections so as to participate in the DRIS in respect of the Interim Dividend is the close of business on 9 July 2021.

18. Inside Information

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

For further information, please contact:

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