YFM Equity Partners

British Smaller Companies VCT plc

Annual Report

for the year ended 31 March 2019

bsfunds.com

Transforming small businesses

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About us

British Smaller Companies VCT plc was formed in 1996 and invests in a combination of businesses operating in established and emerging industries which offer opportunities in the application and development of innovation.

A diverse existing portfolio of 37 companies reduces the exposure to particular markets and individual companies. The current portfolio has an audited valuation of £57.0 million as at 31 March 2019.

Registered Number:
03134749

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British Smaller Companies VCT plc
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BRITISH SMALLER COMPANIES VCT PLC

Transforming small businesses

Investment Adviser

British Smaller Companies VCT plc ("the Company") is advised by YFM Private Equity Limited ("the Investment Adviser") which is a wholly owned subsidiary of YFM Equity Partners LLP and is authorised and regulated by the Financial Conduct Authority.

Investment Policy

The Company's investment policy is to create a portfolio that blends a mix of businesses operating in established and emerging industries which offer opportunities in the application and development of innovation in their products and services. Investing across a range of companies and sectors reduces exposure to particular markets and individual companies.

The Company invests in UK businesses across a broad range of sectors including but not limited to software, information technology and telecommunications, retail and brands, business services, manufacturing and industrial services and healthcare. These investments are primarily in unquoted UK companies which meet the definition of a Qualifying Investment, in order to maintain the Company's venture capital status. It is anticipated that the majority of these businesses will re-invest their profits for growth and the investments will, therefore, comprise mainly equity instruments. Further details of the Company's investment policy can be found in the Strategic Report on page 10.

Dividend Policy

Your Board remains committed to the objective of a consistent dividend but this depends upon the level of investment income and realisations that the Company is able to make or achieve in any one period and is not guaranteed. The Company expects to be able to pay regular dividends along with special dividends as investments are realised.

The tax reliefs that are available for an investment in a VCT are of particular benefit for qualifying shareholders as there is no income tax payable on the dividend received, or the requirement to declare them in a tax return.

Share Buy-Backs

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

Dividend Re-Investment Scheme ("DRIS")

The Company operates a DRIS which gives shareholders the opportunity to re-invest any cash dividends. Currently dividends are re-invested at a 5 per cent discount to the latest reported net asset value as adjusted for the relevant dividend in question if this has not already been recognised. Any dividends that are re-invested by qualifying shareholders are eligible for income tax relief at 30 per cent of the amount invested subject to an annual investment limit of £200,000. The Finance Act 2014 confirmed that shares acquired at any time under dividend re-investment schemes will not impact tax relief on sales of, or subscriptions for, VCT shares, unless in the latter case it results in a breach of the £200,000 investment limit.

Financial Highlights

TOTAL RETURN[1]

221.7p

↑ 5.7p

Increased by 7.2 per cent over opening net asset value

Since 31 March 2018 your Company's Total Return has increased by 5.7 pence, from 216.0 pence per ordinary share to 221.7 pence per ordinary share, which includes cumulative dividends paid of 147.4 pence per ordinary share.

INVESTMENT GROWTH[1]

10.1%

£6.5m

The underlying growth (including realisations) in the investment portfolio was £6.5 million, which represents an increase of 10.1 per cent.

REALISATION PROCEEDS

£18.8m

in the year

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

FUNDRAISING

£21.3m

2018/19

A successful joint prospectus offer closed in February 2019 raising net proceeds of £21.3 million. Shares were allotted in April 2019.

DIVIDENDS FOR THE YEAR

11.0p

Total Dividends

Total dividends paid during the year ended 31 March 2019 were 11.0 pence per ordinary share. These comprised an interim dividend of 4.0 pence per ordinary share and following the December 2018 realisations a second interim dividend of 7.0 pence per ordinary share.

1. Total Return ("TR") and Investment Growth are Alternative Performance Measures. The Board considers TR to be the primary measure of shareholder value and Investment Growth is the key measure of the portfolio's performance.

TR
is calculated as the total of current net asset value per ordinary share plus cumulative dividends paid since inception of the Company.

Investment Growth
is calculated as the capital return from the portfolio during the period as a percentage of the portfolio's value at the start of the period.

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

Five Year Summary

	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2015
Income £'000	**2,299**	2,339	2,813	3,365	2,310
Profit before and after taxation £'000	**6,405**	3,364	4,529	10,409	4,043
Net assets attributable to ordinary shares £'000	**82,023**	86,137	88,072	95,723	87,720
Profit per ordinary share	**5.88p**	3.10p	4.65p	11.40p	5.98p
Dividends per ordinary share paid in the year	**11.0p**	5.75p	22.0p	10.0p	8.0p
Net asset value per ordinary share	**74.3p**	79.6p	82.3p	100.0p	98.8p
Total Return per ordinary share[1]	**221.7p**	216.0p	213.0p	208.7p	197.5p
Increase in Total Return per ordinary share[1]	**5.7p**	3.0p	4.3p	11.2p	4.8p
Cumulative 3 year increase in Total Return per ordinary share[1]	**13.0p**				
Cumulative 5 year increase in Total Return per ordinary share[1]	**29.0p**				

1. These are Alternative Performance Measures. The Board considers Total Return to be the primary measure of shareholder value.

Financial Calendar

Results Announced	**26 June 2019**
Annual General Meeting	**11 September 2019**

Your Company's Portfolio

Chairman's Statement

The Company is pleased to present its Strategic Report for the year ended 31 March 2019. The purpose of this report is to inform shareholders and help them assess how the directors have performed in their duty to promote the success of the Company. This Report has been prepared by the directors in accordance with section 414 of the Companies Act 2006.

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

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

Realisations in Year

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

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

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

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

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

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

New Investments

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

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

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

In April 2018 your Company made an investment of £1.32 million into **Hutchinson Networks Limited**, a leading provider of multi-vendor IT and network solutions to clients globally. See page 7 for further details on this company.

Chairman's Statement (continued)

SHAREHOLDER RELATIONS

Annual General Meeting 11 September 2019

The Annual General Meeting of the Company will be held at 10:30 am on 11 September 2019 at 33 St James Square, London, SW1Y 4JS. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on pages 92 to 94.

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

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

Realisations since the year end

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

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

Financial Results

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

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

1. Total Return is an Alternative Performance Measure.

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

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

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

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

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

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

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

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

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

Dividends

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

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

Chairman's Statement (continued)

Dividend Re-investment Scheme ("DRIS")

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

1 the dividends remain tax free;
2 any DRIS investment attracts income tax relief at the rate of 30 per cent; and
3 the investment is made at a 5 per cent discount to the last reported net asset value.

For the financial year ended 31 March 2019 dividends totalling £3.39 million were invested in your Company by way of the DRIS.

Fundraising

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

Shareholder Relations

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

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

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

Board Composition

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

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

Regulatory Developments

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

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

Post Balance Sheet Events

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

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

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

Investment Adviser Remuneration

The Board and the Investment Adviser have agreed changes to the Investment Adviser's remuneration that will benefit shareholders, including a reduced Investment Adviser Fee of 1.0 per cent on cash in excess of £15 million with effect from 1 April 2019. This will help offset the low level of interest that is earned on cash balances. Further details on this can be found in Note 3 to the accounts on page 70.

Performance Incentive

Following a period of successful realisations over many years the terms of a revised Performance Incentive have been agreed with the Investment Adviser, based on a combination of Total Return and minimum annual dividends, and were approved by shareholders on 7 January 2019. The agreement requires an increase of 12.6 pence per ordinary share in Total Return, increased annually by a further 5.1 pence per ordinary share, indexed for changes in RPI, before any incentive becomes payable and any payment is also dependent on annual dividends exceeding a minimum amount. No performance incentive payment will be made in respect of the year ended 31 March 2019. Further details can be found on page 11.

Outlook

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

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

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

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

Helen Sinclair
Chairman

26 June 2019

Objectives and Key Policies

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

Investment Policy

The Company's investment policy is to create a portfolio that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services. Investing across a range of companies and sectors reduces exposure to particular markets and individual companies. The changes to the venture capital trust legislation in November 2015 and those announced in the November 2017 Budget mean that there is greater emphasis on earlier stage growth businesses focussing on the application and development of innovation.

To this end, the Company will invest in UK businesses across a broad range of sectors including but not limited to software, information technology and telecommunications, retail and brands, business services, manufacturing and industrial services and healthcare. These investments will primarily be in unquoted UK companies which meet the definition of a Qualifying Investment, in order to maintain the Company's venture capital status. It is anticipated that the majority of these businesses will be re-investing their profits for growth and the investments will, therefore, comprise mainly equity instruments. In order to limit the risk to the portfolio that is derived from any particular investment, at the point of investment no more than 15 per cent of the Company by value will be in any one investment.

Borrowing

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

Co-investment

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

Asset mix

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

Remuneration Policy

The Company's policy on the remuneration of its directors, all of whom being non-executive directors, can be found on page 50.

Other Key Policies

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

Processes and Operations

The Investment Adviser is responsible for the sourcing and screening of initial enquiries, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments. Once approved, further due diligence is carried out and HMRC clearance is obtained as the Board deems necessary for approval as a Qualifying Holding.

The Board approves all investment and divestment decisions save in that new investments up to £250,000 in companies whose securities are traded on a regulated stock exchange and where the decision is required urgently, in which case the Chairman of the Board of Directors, if appropriate, may act in consultation with the Investment Adviser, provided papers have first been circulated to the Chairman of the Investment Committee. With regard to the realisation of quoted holdings the Investment Adviser is authorised to implement the Company's exit strategy for the holding in question within parameters previously agreed by the directors.

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

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

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

Performance Incentive

Under the terms of the incentive agreement in place at the start of the year, the Investment Adviser would have received an incentive payment equal to 20 per cent of the amount by which dividends paid in the relevant accounting period exceeded 4.0 pence per ordinary share (increasing in line with RPI) once cumulative dividends of 10.0 pence per ordinary share from 1 April 2009 have been paid. These incentive payments were subject to cumulative shortfalls in any prior accounting periods being made up and the average adjusted net asset value per ordinary share in the relevant accounting period being not less than 94.0 pence per ordinary share, as adjusted for the impact of share issues and buy-backs. More detail on the agreement as amended from time to time is given in note 3 to the financial statements.

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

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

> the incentive fee will be subject to achieving a target level of Total Return, replacing the previous requirement to achieve an average adjusted Net Asset Value ("NAV") per ordinary share as set out above;

> an incentive fee will be payable once a Total Return of at least 228.6 pence per ordinary share has been achieved. This is 12.6 pence per ordinary share higher than the Total Return at 31 March 2018 (216.0 pence per ordinary share) and represented 15.8 per cent of NAV at 31 March 2018;

> there will be an annual increase to the Total Return per ordinary share that must be achieved in order for an incentive fee to be paid. This annual increase is the minimum level of dividends required in order to pay an incentive fee under the previous arrangements, as set out above; and

Processes and Operations (continued)

- if the required Total Return is achieved the incentive fee can only be paid if the actual dividends paid exceed the minimum requirement, calculated on the same basis as the previous scheme.

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

The total dividends paid in the year are 11.0 pence per ordinary share and the Total Return hurdle for the year ended 31 March 2019 was 233.9 pence per ordinary share while the Total Return at 31 March 2019 was 221.7 pence per ordinary share, a shortfall of 12.2 pence per ordinary share. As a result, the Investment Adviser has not met the targets for the year under review and no performance fee has accrued to the Investment Adviser (31 March 2018: £nil). If the annual incentive fee exceeds a certain threshold then the excess is deferred until following the next year's Annual General Meeting. Payment of the remainder is made five business days after the relevant Annual General Meeting at which the audited accounts are presented to shareholders.

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

Administration of the Listed Investment Funds Portfolio

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

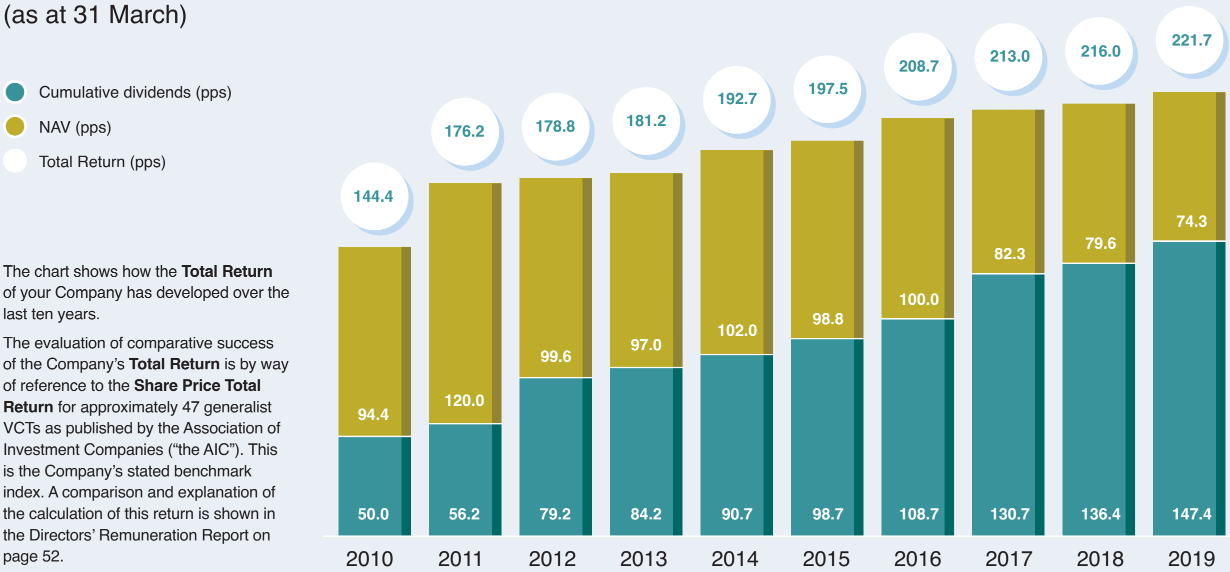
Key Performance Indicators

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

Total Return
(as at 31 March)

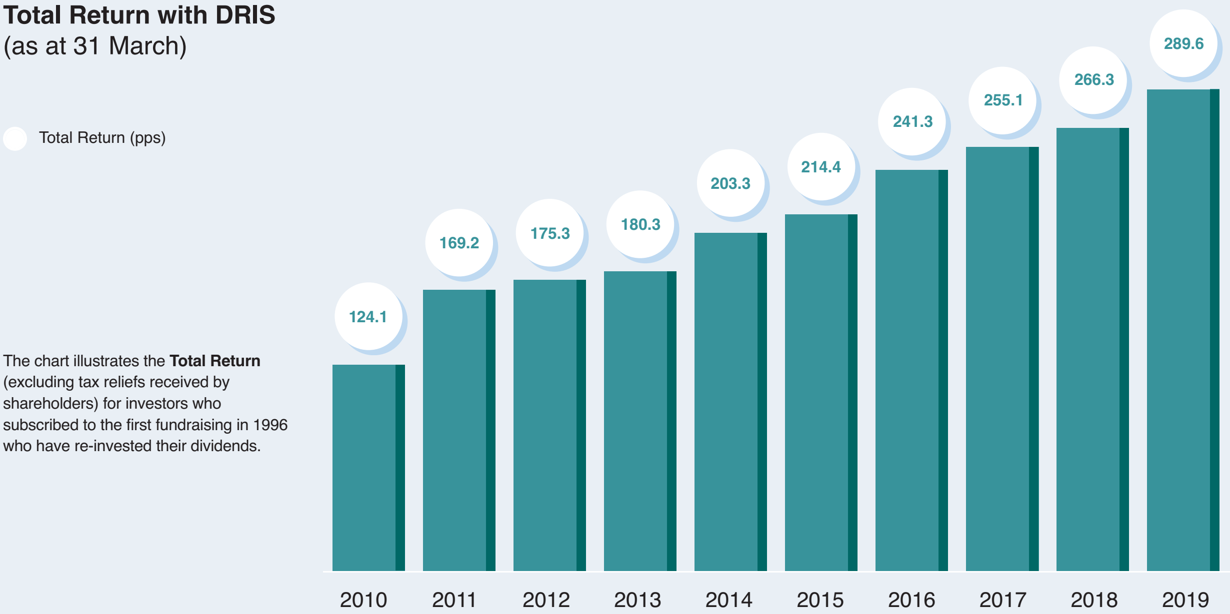
The chart shows how the **Total Return** of your Company has developed over the last ten years.

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



Total Return with DRIS
(as at 31 March)

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



Key Performance Indicators (continued)

Returns

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

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

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

Expenses

Ongoing Charges

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

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

Expenses Cap

The total costs incurred by the Company in the year (excluding any performance related fees, trail commission payable to financial intermediaries and VAT) is capped at 2.9 per cent of the total net asset value as at the relevant year end. The treatment of costs in excess of the cap is described in note 3 on page 71. There was no breach of the expenses cap in the current or prior year.

Compliance with VCT Legislative Tests

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

Income Test

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

Retained Income Test

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

Qualifying Holdings Test

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

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

Eligible Shares Test

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

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

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

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

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

Maximum Single Investment Test

The value of any one investment has not, at any time in the period, represented more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and further additions and therefore cannot be breached passively.

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

Key Performance Indicators (continued)

Further restrictions placed on VCTs are:

Dividends from cancelled share premium

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

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

Other

The Finance (No. 2) Act 2015 imposes further conditions in respect of investments, including those regarded as non-qualifying investments, including:

i) an aggregate limit of £12 million (or £20 million for Knowledge Intensive Companies) on the amount of State Aid Risk Finance investment a business can receive during its lifetime; and

ii) no more than seven years can have elapsed since the first commercial sale achieved by the business (ten years in the case of a Knowledge Intensive Company), unless:

   a. the business has previously received an investment from a source that has received state aid; or

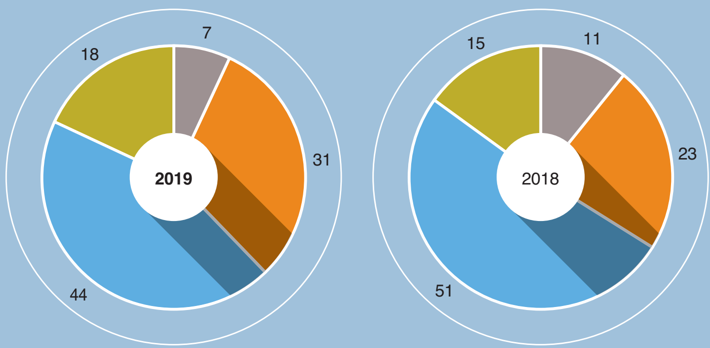
   b. the investment comprises more than 50 per cent of the average of the previous five years' turnover and the funds are to be used in the business to fund growth into new product markets and/or new geographies.

Portfolio Structure and Diversity

Portfolio Structure

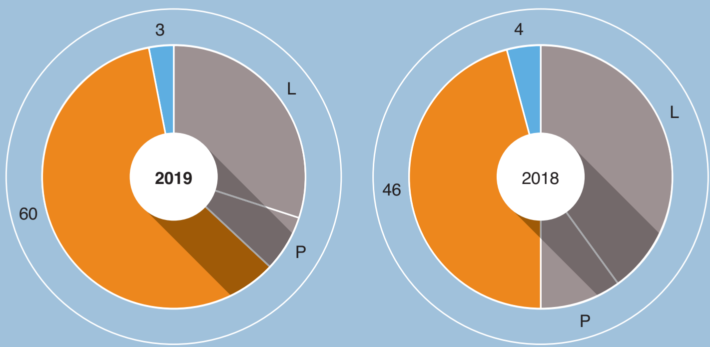
This illustrates the broad range of the portfolio with 62 per cent of the portfolio valuation being held for more than 3 years, whilst 75 per cent is held at cost or above. 37 per cent of the portfolio's value is held in income generating financial instruments.

AGE OF INVESTMENTS (%)



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

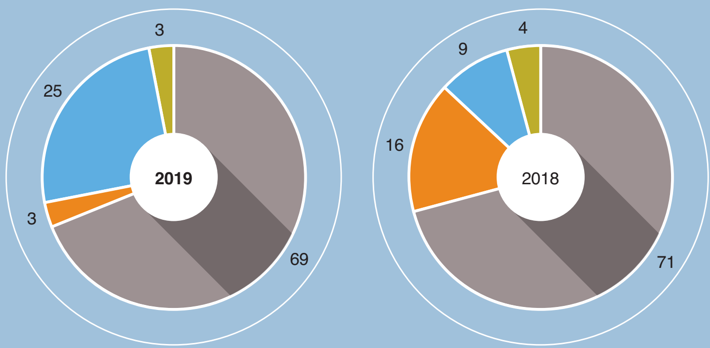
INVESTMENT INSTRUMENT (%)



- L Loan
- P Preference shares

  } 2019 - 37%
  2018 - 50%
- Ordinary shares
- Quoted companies

VALUE COMPARED TO COST (%)



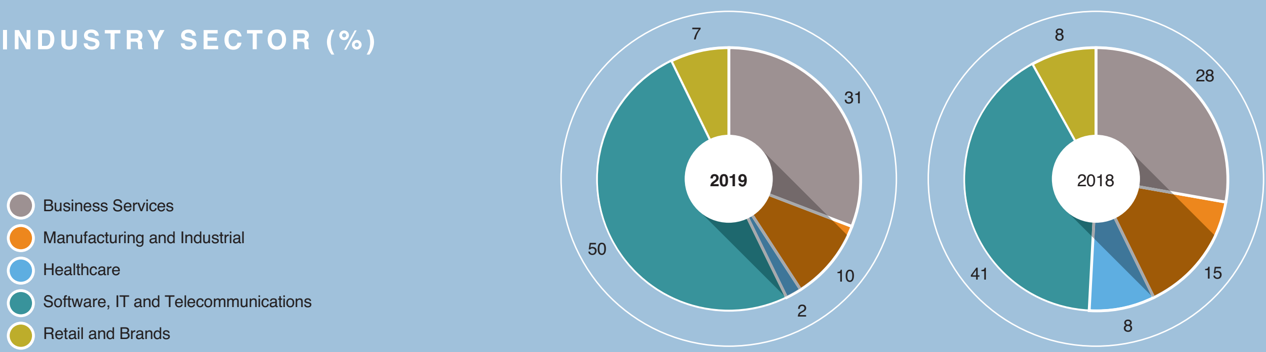
- Value above cost
- At cost
- Value below cost
- Quoted companies - portfolio above cost

Portfolio Structure and Diversity (continued)

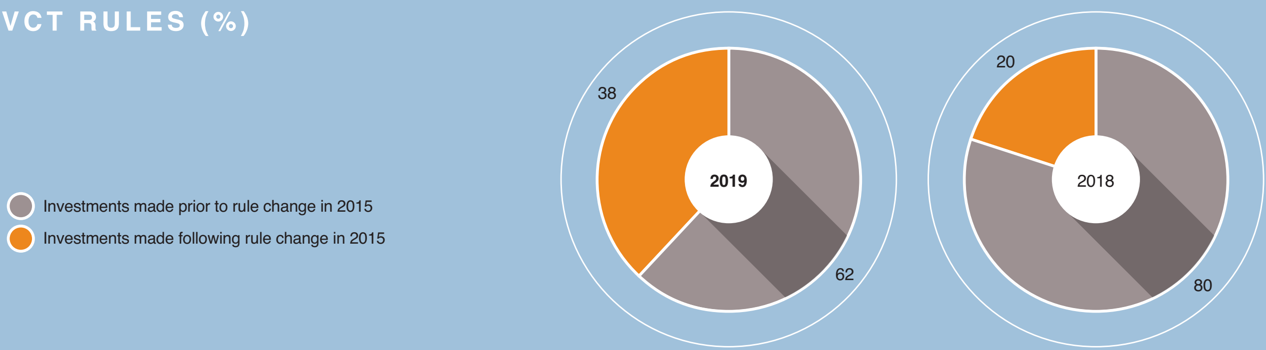
Portfolio Diversity

Also included below 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.

INDUSTRY SECTOR (%)



VCT RULES (%)



Investment Review

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

Your Residual Portfolio

£57.0 million

Fair value of the portfolio
(2018: £61.8 million)

17

Number of portfolio companies with value of £1.0 million or more
(2018: 20)

£2.0 million

Income from the portfolio
(2018: £2.1 million)

£5.7 million

Level of investment
(2018: £8.2 million)

£6.4 million

Return from portfolio
(2018: £3.6 million)

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

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

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

Table A
Investment portfolio

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

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

Investment Review (continued)

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

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

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

Other Significant Investment Movements

Investments

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

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

Table B
Investments

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

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

Disposal of Investments

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

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

Table C
Disposal of Investments

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

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

Further analysis of all investments sold in the year can be found in note 7 to the financial statements on page 78.

Portfolio Composition

As at 31 March 2019 the portfolio had a value of £57.02 million which comprised £55.34 million in unquoted investments (97 per cent) and £1.68 million in quoted investments (3 per cent). An analysis of the movements in the year is shown on page 27.

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

The charts on pages 17 and 18 of these financial statements show the composition of the portfolio as at 31 March 2019 by industry sector, age of investment, investment instrument and the valuation compared to cost. This demonstrates the diversity of the portfolio including its representation across a wide range of industry sectors.

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

Investment Review (continued)

Valuation Policy

Unquoted investments are valued in accordance with the valuation policy set out in note 1 on pages 66 and 67, which takes account of current industry guidelines for the valuation of venture capital portfolios. Adjustments to fair value are made where an investment is significantly under-performing. As at 31 March 2019 the value of investments falling into each valuation category is shown in Table D. Now that the focus of new investments is on younger businesses that are investing for growth a higher proportion of valuations are based on a multiple of sales. This is likely to continue to increase as the more mature companies in the portfolio are divested.

Table D
Valuation Policy

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

Regulatory Changes

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

Impact

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

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

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

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

> An assessment of the positive and negative impact the portfolio companies invested in have on the environment, people and society is now carried out pre-investment during the investment appraisal process; and

> A structured framework to regularly assess the positive and negative impacts that the portfolio has on the environment, people and society. The Investment Adviser is committed to pro-actively

working with portfolio companies on an ongoing basis to put Impact on their agenda and help improve their performance in these areas, through the introduction of specific initiatives and sharing of best practice across the portfolio.

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

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

Summary and Outlook

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

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

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

David Hall
YFM Private Equity Limited

26 June 2019

Case studies

Frescobol Carioca

AMOUNT INVESTED BY THE COMPANY

£1.80 million

THE BUSINESS AT INVESTMENT

A well-positioned luxury menswear brand with over 200 stockists, three retail locations and an established on-line presence.

THE INVESTMENT

Backing the founders to accelerate the pace of growth.

RATIONALE FOR THE DEAL

A well-known niche brand with significant growth opportunities.

SINCE INVESTMENT

Appointment of a new chairman.

Mangar Health

AMOUNT INVESTED BY THE COMPANY

£2.46 million

THE BUSINESS AT INVESTMENT

A leader in inflatable lifting, handling and bathing equipment for elderly, disabled and emergency service markets.

THE INVESTMENT

Supporting the management team to drive further growth in the UK and internationally.

RATIONALE FOR THE DEAL

A long-term growth opportunity driven by an ageing population.

THE BUSINESS AT EXIT

Year-on-year sales growth, a broadened product range, headcount grown by nearly 50%.

EXIT

Sold to Winncare, a French medical device company.

Achieved a return of 2.7x cost.

Portfolio Summary

at 31 March 2019

Page No	Name of company	Date of initial investment	Location	Industry Sector	Current cost £000	Valuation at 31 March 2019 £000	Proceeds to date £000	Realised & unrealised value to date* £000
	Unquoted portfolio							
28	Matillion Limited	Nov-16	Manchester	Software, IT & Telecommunications	2,666	8,233	-	8,233
29	ACC Aviation Group Limited	Nov-14	Reigate	Business Services	220	8,160	1,848	10,008
29	Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	May-14	Alloa	Business Services	2,934	4,531	-	4,531
29	Deep-Secure Ltd	Dec-09	Malvern	Software, IT & Telecommunications	1,000	4,217	-	4,217
30	Business Collaborator Limited	Nov-14	Reading	Software, IT & Telecommunications	2,010	3,662	-	3,662
30	Eikon Holdco Limited	Mar-18	London	Software, IT & Telecommunications	3,000	3,142	-	3,142
30	KeTech Enterprises Limited	Nov-15	Nottingham	Software, IT & Telecommunications	1,500	2,231	500	2,731
31	Springboard Research Holdings Limited	Oct-14	Milton Keynes	Business Services	2,736	2,162	-	2,162
31	Leengate Holdings Limited	Dec-13	Derbyshire	Manufacturing & Industrial	1,074	1,936	577	2,513
31	Frescobol Carioca Limited	Mar-19	London	Retail & Brands	1,800	1,800	-	1,800
32	Friska Limited	Jul-17	Bristol	Retail & Brands	1,800	1,743	-	1,743
32	Arcus Global Limited	May-18	Cambridge	Software, IT & Telecommunications	1,800	1,691	-	1,691
32	Sipsynergy (via Hosted Network Services Limited)	Jun-16	Hampshire	Software, IT & Telecommunications	1,770	1,504	-	1,504
	Ncam Technologies Limited	Mar-18	London	Software, IT & Telecommunications	1,902	1,479	-	1,479
	Wakefield Acoustics (via Malvar Engineering Limited)	Dec-14	Heckmondwike	Manufacturing & Industrial	1,080	1,160	75	1,235
	DisplayPlan Holdings Limited	Jan-12	Baldock	Business Services	130	1,136	1,521	2,657
	Biz2Mobile Limited	Oct-16	Oxfordshire	Software, IT & Telecommunications	1,658	1,060	-	1,060
	RMS Group Holdings Limited	Jul-07	Hull	Manufacturing & Industrial	180	823	897	1,720
	Other investments £0.75 million and below				11,574	4,671	2,466	7,137
	Total unquoted investments				**40,834**	**55,341**	**7,884**	**63,225**
	Quoted portfolio investments £0.75 million and below				**984**	**1,678**	**1,681**	**3,359**
					41,818	**57,019**	**9,565**	**66,584**
	Full disposals since 31 March 2002				39,785	-	88,736	88,736
	Full disposals prior to 31 March 2002				5,748	-	1,899	1,899
	Total portfolio				**87,351**	**57,019**	**100,200**	**157,219**

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

Summary of Portfolio Movement

since 31 March 2018

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

1 Loan repayments / preference share redemption
2 Equity disposals

Investee Company Information

Software, IT and Telecommunications	Business Services	Manufacturing and Industrial Services	Retail and Brands	Healthcare
Fair Value **£28.5m**	Fair Value **£18.0m**	Fair Value **£5.7m**	Fair Value **£3.8m**	Fair Value **£1.0m**
2018: £25.2m	2018: £17.0m	2018: £9.5m	2018: £4.8m	2018: £5.3m
Number of companies **16**	Number of companies **8**	Number of companies **7.5***	Number of companies **2.5***	Number of companies **3**
2018: 16	2018: 8	2018: 8.5*	2018: 2.5*	2018: 3

* One company is represented in two industry types

Portfolio

This section describes the businesses of the active companies in the portfolio with a value greater than £1.5 million ranked in order of valuation at 31 March 2019. The Company's voting rights in an investee company are the same as the percentage of equity held for each investment detailed below.

Matillion Limited
Manchester

Matillion develops cloud-native data transformation products for platforms including Amazon Web Services, Google Big Query and Snowflake. The products allow customers to harness the power of these platforms to rapidly transform and interrogate large quantities of data.

www.matillion.com

MATILLION

Cost:	£2,666,000
Valuation:	£8,233,000
Date of initial investment:	November 2016
Equity held:	10.79%
Valuation basis:	Recent round, reviewed for change in fair value

Year ended 31 December	2018* £million	2017 £million
Sales	**6.50**	3.04
LBITA	**(4.79)**	(1.70)
Loss before tax	**(4.22)**	(1.65)
Retained losses	**(7.48)**	(3.27)
Net assets	**10.23**	0.45

*The 2018 figures above are not yet filed and may be subject to change

ACC Aviation Group Limited
Reigate

With annual sales of over £90 million, ACC Aviation has built an excellent reputation for providing services to clients globally in all aspects of aircraft leasing, charter and flight management. The airline industry continues to change at a fast pace and ACC has evolved its model to become a valued partner.

www.accaviation.com

Cost:	£220,000
Valuation:	£8,160,000
Date of initial investment:	November 2014
Equity held:	27.00%
Valuation basis:	Earnings multiple
Interest:	£7,272 (2018 £55,296)
Dividends:	£nil (2018 £73,363)

Year ended 31 December	**2017 £million**	2016 £million
Sales	**93.05**	60.89
EBITA	**3.63**	3.30
Profit before tax	**2.14**	2.19
Retained profits	**0.17**	0.91
Net assets	**3.21**	1.58

Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)
Alloa

Intelligent Office is a leading provider of process outsourcing solutions to UK legal practices and has recently won a number of significant new customers. The Managed Services division works within firms' own premises to help them transform and manage key administrative functions and secretarial services.

www.intelligentofficeuk.com

Cost:	£2,934,000
Valuation:	£4,531,000
Date of initial investment:	May 2014
Equity held:	26.65%
Valuation basis:	Earnings multiple
Interest:	£58,973 (2018 £58,973)
Dividends:	£124,455 (2018 £126,890)

Year ended 30 September	**2018 £million**	2017 £million
Sales	**26.72**	26.24
EBITA	**1.12**	1.30
Loss before tax	**(1.16)**	(0.69)
Retained losses	**(2.66)**	(1.78)
Net assets	**2.38**	7.03

Deep-Secure Ltd
Malvern

Deep-Secure specialises in high security network gateway products, known as Content Threat Removal and has developed a market leading approach in a strong growth sector. The company has invested heavily in sales and marketing resource which is seeing it expand outside of its traditional sectors of government and defence.

www.deep-secure.com

Cost:	£1,000,000
Valuation:	£4,217,000
Date of initial investment:	December 2009
Equity held:	15.88%
Valuation basis:	Sales multiple
Interest:	£108,000 (2018 £108,000)

Year ended 31 December	**2017 £million**	2016 £million
Sales	**4.85**	3.87
EBITA	**0.99**	0.64
Loss before tax	**(0.30)**	(0.50)
Retained losses	**(4.29)**	(4.21)
Net liabilities	**(3.88)**	(3.81)

Business Collaborator Limited
Reading

Business Collaborator is an established provider of collaboration software hosted on the cloud to the construction sector and a leader in the Building Information Modelling ("BIM") software market. Sales growth is driven by the products' ability to deliver cost savings and supported by government regulations.

www.groupbc.com

Cost:	£2,010,000
Valuation:	£3,662,000
Date of initial investment:	November 2014
Equity held:	29.08%
Valuation basis:	Sales multiple
Interest:	£176,100 (2018 £176,100)

Year ended 30 November	**2018 £million**	2017 £million
Sales	**4.44**	3.68
LBITA	**(0.19)**	(0.54)
Loss before tax	**(0.59)**	(0.87)
Retained losses	**(1.08)**	(0.80)
Net (liabilities) assets	**(0.62)**	0.33

Eikon Holdco Limited
London

Eikon provides digital mastering and localisation services to the film, broadcast and online media industry from its cutting edge facilities in London and Los Angeles. Clients include Paramount Pictures, Twentieth Century Fox, Sony Pictures Entertainment, Warner Bros, Universal Pictures, CBS and Netflix.

www.eikongroup.co.uk

Cost:	£3,000,000
Valuation:	£3,142,000
Date of initial investment:	March 2018
Equity held:	8.75%
Valuation basis:	Earnings multiple
Interest:	£90,000 (2018 £1,479)
Dividends:	£182,959 (2018 £nil)

Year ended 31 October	**2018 £million**	2017 £million
Sales	**11.00**	6.51
EBITA	**2.70**	1.52
Profit before tax	**1.88**	1.22
Retained profits	**0.40**	1.64
Net assets	**3.78**	2.50

Accounts for the trading company Eikon Group Limited are shown for 2017, as the first published accounts of Eikon Holdco Limited covered the period from 16 November 2017 to 31 October 2018.

KeTech Enterprises Limited
Nottingham

KeTech has refined its product range to become a specialist manufacturer and distributor of rail communications systems. Its core products provide real-time information via on-train and on-platform solutions, and are increasingly being specified on some high profile new projects and upgrades.

www.ketech.com

Cost:	£1,500,000
Valuation:	£2,231,000
Date of initial investment:	November 2015
Equity held:	15.22%
Valuation basis:	Earnings multiple
Interest:	£96,597 (2018 £104,885)
Dividends:	£48,300 (2018 £48,300)

Year ended 31 August	**2018 £million**	2017 £million
Sales	**5.82**	4.77
EBITA	**1.09**	0.47
Profit before tax	**0.81**	0.21
Retained profits	**0.23**	0.42
Net assets (liabilities)	**0.24**	(0.43)

Springboard Research Holdings Limited
Milton Keynes

Springboard Research is a leading provider of retail performance monitoring; providing footfall, dwell time and analysis of consumer behaviour. A continually shifting retail environment means that retailers and landlords are seeking new ways of improving their competitive advantage. The company has seen a significant increase in sales to North America.

www.spring-board.info

Cost:	£2,736,000
Valuation:	£2,162,000
Date of initial investment:	October 2014
Equity held:	19.43%
Valuation basis:	Cost, reviewed for change in fair value
Interest:	£125,352 (2018 £125,352)
Dividends:	£88,704 (2018 £88,704)

Year ended 31 December	**2017 £million**	2016 £million
Sales	**5.09**	4.47
EBITA	**0.38**	0.19
Loss before tax	**(0.42)**	(0.90)
Retained losses	**(2.12)**	(1.61)
Net assets	**1.01**	1.52

Leengate Holdings Limited
Derbyshire

Leengate Valves is a wholesaler, stockist and distributor, supplying one of the largest ranges of industrial valves in the UK to leading re-sellers in the gas, water and industrial sectors. In addition it supplies engineering actuation and automation packages, offering a next day service and high quality technical advice. The investment was realised in April 2019 at the valuation shown.

www.leengatevalves.co.uk

Cost:	£1,074,000
Valuation:	£1,936,000
Date of initial investment:	December 2013
Equity held:	10.50%
Valuation basis:	Discounted cash flows from investment
Interest:	£68,202 (2018 £107,184)
Dividends:	£22,055 (2018 £33,624)

Year ended 31 December	**2017 £million**	2016 £million
Sales	**9.57**	8.23
EBITA	**1.39**	1.42
Profit before tax	**0.52**	0.55
Retained profits	**1.11**	0.79
Net assets	**1.69**	1.37

Frescobol Carioca Limited
London

Frescobol is a well-positioned luxury menswear brand with over 200 stockists, three retail locations and an established on-line presence.

www.frescobolcarioca.com

Cost:	£1,800,000
Valuation:	£1,800,000
Date of initial investment:	March 2019
Equity held:	10.00%
Valuation basis:	Cost, reviewed for change in fair value

Year ended 30 September	**2018 £million**	2017 £million
Sales	**3.40**	2.64
LBITA	**(0.15)**	(0.52)
Loss before tax	**(0.15)**	(0.52)
Retained losses	**(1.32)**	(1.17)
Net assets	**1.15**	1.30

Friska Limited
Bristol

Friska is a chain of "food to go" restaurants centred in Bristol with a "feel good food" ethos reflected in high quality well sourced food, engaging store environments and leading customer service levels.

www.friskafood.com

Cost:	£1,800,000
Valuation:	£1,743,000
Date of initial investment:	July 2017
Equity held:	21.60%
Valuation basis:	Earnings multiple
Interest:	£81,000 (2018 £58,142)

Year ended 30 September	2018 £million	2017 £million
Sales	**5.09**	4.34
LBITA	**(0.49)**	(0.41)
Loss before tax	**(0.80)**	(0.49)
Retained losses	**(1.53)**	(0.73)
Net liabilities	**(1.02)**	(0.22)

Arcus Global Limited
Cambridge

Arcus is a provider of cloud-based software solutions to local authorities and public sector organisations. The company delivers a proprietary Software-as-a-Service (SaaS) platform that enables customers to transform end-to-end service delivery in areas such as digital transactions, planning, building control, regulatory services and waste management.

www.arcusglobal.com

Cost:	£1,800,000
Valuation:	£1,691,000
Date of initial investment:	May 2018
Equity held:	10.80%
Valuation basis:	Sales multiple

Year ended 30 June	2018 £million	2017 £million
Sales	**12.96**	9.68
LBITA	**(0.21)**	(2.67)
Loss before tax	**(1.28)**	(3.58)
Retained losses	**(5.60)**	(5.46)
Net liabilities	**(1.57)**	(4.13)

Sipsynergy (via Hosted Network Services Limited)
Hampshire

Sipsynergy is a market-leading provider of cost-effective cloud collaboration and unified communications solutions to SME's. The company has partnered with Cisco to create a solution sold on a white label basis through telecoms and IT resellers and managed service providers.

www.sipynergy.co.uk

Cost:	£1,770,000
Valuation:	£1,504,000
Date of initial investment:	June 2016
Equity held:	19.74%
Valuation basis:	Sales multiple

Year ended 30 June	2018 £million	2017 £million
Sales	**1.78**	1.39
LBITA	**(0.85)**	(1.68)
Loss before tax	**(0.97)**	(1.89)
Retained losses	**(2.07)**	(2.11)
Net assets	**0.59**	1.57

Risk Factors

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

The Board seeks to mitigate its principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in section C.2: "Risk Management & Internal Control" of The UK Corporate Governance Code issued by the Financial Reporting Council in April 2016. Details of the Company's internal controls are contained in the Corporate Governance Internal Control section on pages 48 and 49 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" on page 15.

Economic

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

Mitigation – As well as the response to 'Investment and Strategic' risk below the Company has a clear investment policy (summarised on page 10) and a diversified portfolio operating in a range of sectors. The Investment Adviser actively monitors investee performance which provides quality information for monthly reviews of the portfolio.

Investment and Strategic

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

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

Risk Factors (continued)

Regulatory

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

Mitigation – The Investment Adviser and the Company Secretary have procedures in place to ensure recurring Listing Rules requirements are met and actively consult with brokers, solicitors and external compliance advisers as appropriate. The key controls around regulatory compliance are explained on pages 48 and 49.

Reputational

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

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

Operational

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

Mitigation – The Investment Adviser has a documented business continuity plan, which provides for back-up services in the event of a system breakdown. The Investment Adviser's systems are protected against viruses and other cyber attacks.

Financial

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

Mitigation – The key controls around financial reporting are described on pages 48 and 49.

Market/Liquidity

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

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

Other matters

Environment

The Board recognises the requirement under Section 414C of the Companies Act 2006 to detail information about environmental matters (including the impact of the Company's business on the environment), employee, human rights, social and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies.

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment, and has introduced an electronic communications policy. This policy has led to a significant increase in the number of such communications, with a commensurate reduction in the distribution of hard copy documents. The management and administration of the Company is undertaken by the Investment Adviser. YFM Private Equity Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies to reduce any damage that might be caused by its activities. Initiatives of the Investment Adviser designed to minimise its and the Company's impact on the environment include recycling and reducing energy consumption.

Given the size and nature of the Company's activities and the fact that it has no employees, the Board considers there is limited scope to develop and implement social and community policies. More details of the work that the Investment Adviser has done in this area are set out on page 22.

Anti-Bribery and Corruption Policy

The Company has a zero tolerance approach to bribery. The following is a summary of its policy:

- it is the Company's policy to conduct all of its business in an honest and ethical manner. The Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships;
- the directors of the Company, the Investment Adviser and any other service providers must not promise, offer, give, request, agree to receive or accept financial or other advantage in return for favourable treatment, to influence a business outcome or gain any business advantage on behalf of the Company or encourage others to do so; and
- the Company has communicated its anti-bribery policy to the Investment Adviser and its other service providers.

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

The Strategic Report on pages 5 to 36 is approved by order of the Board

Helen Sinclair
Chairman

26 June 2019

Directors

Helen Sinclair *Chairman* (appointed 1 March 2008) has an MA in Economics from the University of Cambridge and an MBA from INSEAD Business School. After working in investment banking Helen spent nearly 8 years at 3i plc focusing on MBOs and growth capital investments. She later co-founded Matrix Private Equity (now Mobeus Equity Partners) in early 2000 raising Mobeus Income & Growth 2 VCT plc (formerly Matrix e-Ventures VCT plc). She subsequently became managing director of Matrix Private Equity before moving to take on a portfolio of non-executive director roles in 2005. She is currently a non-executive director of The Income & Growth VCT plc, Mobeus Income & Growth 4 VCT plc, Gresham House Strategic plc and North East Finance (Holdco) Limited.

Edward Buchan (appointed 22 September 2010) is a Fellow of the Institute of Chartered Accountants in England and Wales, starting his career with Deloitte before moving to Hill Samuel Bank Limited where he became Head of Corporate Finance and a member of the Bank Executive Committee. He subsequently joined Close Brothers Corporate Finance Limited and then West LB Panmure, specialising in the transport and logistics industry sectors and latterly has been a senior consultant in corporate finance at Edmond De Rothschild Securities. It is Mr Buchan's intention to resign from the Board with effect from the Company's next AGM and the Company has begun the recruitment process for his replacement.

Rupert Cook (appointed 1 August 2017) specialises in corporate and business development, with twenty-five years' experience of technology, including fifteen years in corporate finance and investment. He has led multiple fund-raisings, acquisitions and sales of IT businesses as well as having co-founded and built up his own IT Services business through to sale to a UK plc. Earlier in his career, he was a senior manager at Cap Gemini plc, Director of Advisory Services at Interregnum plc and Head of Technology M&A at goetzpartners corporate finance. Rupert is the founder of Red Penguin Ventures Limited, and was previously a partner at Realise Capital Partners, where he advised and made investments in a range of technology businesses. He is now Chief Strategy Officer at Immersive Labs, a very fast growing cyber-security skills development platform.

Secretary

The City Partnership (UK) Limited
110 George Street
Edinburgh
EH2 4LH

Registered No: SC269164

Registered Office of the Company

5th Floor
Valiant Building
14 South Parade
Leeds
LS1 5QS

Registered No:

03134749

Directors' Report

For the year ended 31 March 2019

The directors present their report and audited financial statements of British Smaller Companies VCT plc (the "Company") for the year ended 31 March 2019.

Principal Activity

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

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

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

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

Business Performance and Future Prospects

A detailed and fair review of the Company's business, its development, its financial performance during and at the end of the financial year, and its future prospects is set out in the Strategic Report on pages 5 to 36. The principal risks and uncertainties the Company faces are detailed on pages 33 to 35.

Results and Dividends

The Statement of Comprehensive Income is set out on page 60. The profit before and after taxation for the year amounted to £6,405,000 (2018: £3,364,000).

During the year the Company paid £11,875,000 in dividends (2018: £6,150,000) totalling 11.0 pence (2018: 5.75 pence) per ordinary share. A detailed review can be found in note 5 on page 73.

The Board do not recommend the payment of a final dividend (2018: none) for the year ended 31 March 2019.

On 12 June 2019 the Company paid an interim dividend for the year ending 31 March 2020 of 4.0 pence per ordinary share.

The net asset value per ordinary share at 31 March 2019 was 74.3 pence (2018: 79.6 pence). The transfer to and from reserves is given in the Statement of Changes in Equity on page 62.

Going Concern

The directors have carefully considered the issue of going concern and are satisfied that the Company has sufficient resources to meet its obligations for the foreseeable future. The directors therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing the financial statements.

Statement on Long-term Viability

The AIC's Code of Corporate Governance requires the Board to assess the Company's viability over an appropriate period. The VCT rules require newly raised funds to be invested within three years and as a result the directors consider that for the purpose of this exercise it is not practical or meaningful to look forward over a period of more than three years. Taking into account the Company's current position and principal risks, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over that period.

In making their assessment the directors have taken into account the principal risks and their mitigation identified in the strategic report on pages 33 to 35, the nature of the Company's business, including its substantial reserves of cash, its recent fundraising, the potential of its venture capital portfolio to generate future income and capital proceeds, and the ability of the directors to minimise the level of cash outflows should this be necessary.

Corporate Governance

The statement on corporate governance set out on pages 42 to 49 is included in the Directors' Report by reference.

Directors' and Officers' Liability Insurance

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

Provision of Information to the External Auditor

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

Share Capital

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

Buy-Back and Issue of Ordinary Shares

In accordance with the Company's stated buy-back policy the Company purchased during the year (under the authority granted by the shareholders at a general meeting held on 1 August 2017) 2,750,155 ordinary shares of 10 pence each in the market (as disclosed in the table below) for aggregate consideration of £2,009,000. These shares are held in treasury.

Under the existing authority, which expires on the later of 1 August 2020, or at the conclusion of the Annual General Meeting held in 2020, the Company has the power to purchase shares up to 14.99 per cent of the Company's issued ordinary share capital as at 16 June 2017, being 16,394,140 ordinary shares.

During the year to 31 March 2019 a total of 4,917,789 ordinary shares were issued under the Company's DRIS. Further details are given in note 11 on page 83. The directors have a separate unconditional authority to allot shares in the Company in connection with the Company's DRIS which expires on 5 September 2023.

The directors have unconditional authority to allot shares in the Company or to grant rights to subscribe for or to convert any security into ordinary shares in the Company until 5 December 2019 up to an aggregate nominal amount of £5,000,000. This authority will be replaced by a new authority to issue shares up to the same aggregate nominal amount at the forthcoming Annual General Meeting.

Buy-back of Shares

Date	Number of Ordinary shares of 10p bought back	Percentage of issued share capital at that date	Consideration paid per ordinary share (pence)
04 July 2018	620,767	0.56%	72.32
27 September 2018	968,258	0.89%	73.84
19 December 2018	521,135	0.48%	75.17
26 March 2019	639,995	0.58%	70.90
	2,750,155		

Directors' Report (continued)

Capital Disclosures

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

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

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

> the Company does not have an employee share scheme;

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

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

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

Environment

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any emissions producing sources including those within its underlying investment portfolio under part 7 of schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended.

Directors and their Interests

The directors of the Company at 31 March 2019, their interests and contracts of significance are set out in the Directors' Remuneration Report on pages 50 to 52.

Substantial Shareholdings

The directors are not aware of any substantial shareholdings representing 3 per cent or more of the Company's issued share capital as at 31 March 2019 and the date of this report.

Independent Auditor

BDO LLP has indicated its willingness to continue in office and a resolution concerning its reappointment will be proposed at the Annual General Meeting.

The only non-audit service provided by BDO LLP during the year was a review of the unaudited interim report for the six months ended 30 September 2018 and services related to the new Performance Incentive Agreement.

Financial Instruments

Details of the financial instruments held by the Company and the risks associated with them are set out on pages 85 to 89 and this information is accordingly, incorporated into the Directors' Report by reference.

Employment Policies

The employment policies of the Company are set out on page 42.

Events after the Balance Sheet Date

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

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

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

Annual General Meeting

Shareholders will find the Notice of the Annual General Meeting on pages 92 to 94 of these financial statements.

The ordinary business of the meeting includes a resolution (**Resolution 6**) proposed to ensure the directors retain the authority to allot shares in the Company until the date of the 2020 Annual General Meeting up to an aggregate nominal amount of £5,000,000 (representing approximately 35 per cent of the issued ordinary share capital of the Company as at 26 June 2019, excluding treasury shares).

Also included is a special resolution:

Resolution 7 is proposed to empower the directors to allot shares under the authority granted by resolution 6 and to sell treasury shares without regard to any rights of pre-emption on the part of the existing shareholders.

This report was approved by the Board on 26 June 2019 and signed on its behalf by

Helen Sinclair
Chairman

British Smaller Companies VCT plc

Registered number 03134749

Corporate Governance

The Board is committed to the principle and application of sound corporate governance and confirms that the Company has taken steps, appropriate to a venture capital trust and relevant to its size and operational complexity, to comply with the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance issued in July 2016 ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") available on the AIC website www.theaic.co.uk

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

The UK Corporate Governance Code can be found on the website of the FRC at www.frc.org.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code and by reference the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company is committed to maintaining the highest standards of corporate governance and during the year to 31 March 2019 complied with the recommendations of the AIC Code and relevant provisions of the UK Corporate Governance Code, except as set out below.

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

Role of the Board

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

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

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

Board Composition

The Board consists of three non-executive directors including the Chairman, all of whom are regarded by the Board as independent and also as independent of the

Company's Investment Adviser. The independence of the Chairman was assessed upon her appointment. Although The UK Corporate Governance Code presumes that the chairman of a company is deemed not to be an independent director, the remaining directors, having considered the nature of the role in the Company, are satisfied that Ms H Sinclair fulfils the criteria for independence as a non-executive director.

The directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and provide a balance of knowledge and authority including recent and relevant financial experience. Brief biographical details of each director are set out on page 37.

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

There are no executive officers of the Company. Given the structure of the Board and the fact that the Company's administration is conducted by YFM Private Equity Limited, the Company has not appointed a chief executive officer or a senior independent non-executive director. In addition, the directors consider that the role of a senior independent non-executive director is taken on by all of the directors. Shareholders are therefore able to approach any director with any queries they may have.

Boardroom Diversity

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

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

Diversity of thought, experience and approach are all important and the directors will always seek to appoint on merit against objective criteria.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, it is the Board's policy that a director's appointment will run for a term of one year until the next Annual General Meeting. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the director to seek a further term. The Board does not believe that length of service in itself necessarily disqualifies a director from seeking re-election but, when making a recommendation, the Board will take into account the ongoing requirements of The UK Corporate Governance Code, including the need to refresh the Board and its Committees.

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

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

Mr CWER Buchan is retiring at the Annual General Meeting and will not be seeking re-election. The directors recommend the re-election of Ms H Sinclair and Mr R Cook at this year's Annual General Meeting, because of their commitment, experience and continued contribution to the Company.

Meetings and Committees

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

The table on page 44 details the number and function of the meetings attended by each director.

During the year there were six formal Board meetings, three Audit Committee meetings, one Remuneration and Nominations Committee meeting, two General meetings and no Allotment Committee meetings. The directors met via telephone and electronic conferences* on 40 other occasions.

Corporate Governance (continued)

Meetings attended

Director	Ms H Sinclair	Mr E Buchan	Mr R Cook	Total
Board meetings	6	6	6	6
Audit Committee	3	3	3	3
Remuneration and Nominations Committee	1	1	1	1
General meeting	2	2	2	2
Telephone and electronic conferences *	38	40	40	40
Total	**50**	**52**	**52**	**52**

* primarily related to the business of the Investment Committee.

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

Training and Appraisal

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

The performance of the Board has been evaluated during the financial year ended 31 March 2019. The Board, led by Mr CWER Buchan, has conducted a performance evaluation to determine whether it and individual directors are functioning effectively.

The factors taken into account were based on the relevant provisions of The UK Corporate Governance Code and included attendance and participation at Board and Committee meetings, commitment to Board activities and the effectiveness of their contribution. The results of the overall evaluation process are communicated to the Board. Performance evaluation continues to be conducted on an annual basis.

The Chairman has confirmed that the performance of the other director being proposed for re-election continues to be effective and that he continues to show commitment to the role. The independent directors have similarly appraised the performance of the Chairman. They considered that the performance of Ms H Sinclair continues to be effective and that she continues to demonstrate a strong commitment to the role.

Remuneration & Nominations Committee

The Company has a combined Remuneration and Nominations Committee, which consists of the three non-executive directors, who are considered by the Board to be independent of the Investment Adviser. Mr CWER Buchan is Chairman of the Remuneration and Nominations Committee. The Remuneration and Nominations Committee reviews the Company's remuneration policy so as to determine and agree the remuneration to be paid to each director of the Company and is responsible for the production of the Directors' Remuneration Report which may be found on pages 50 to 52.

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

In light of Mr CWER Buchan's decision to retire from the Board during the year the Remuneration and Nominations Committee is conducting a full and thorough recruitment process using external advisers.

Audit Committee

The Audit Committee consists of the three non-executive directors and meets at least three times each year. The directors consider that it is appropriate that the Chairman of the Committee should be Mr CWER Buchan. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee, and that the Chair of the Committee meets the requirements of The UK Corporate Governance Code as to recent and relevant financial experience.

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

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

- monitoring and making recommendations to the Board in relation to the Company's internal control (including internal financial control) and risk management systems;
- annually considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- monitoring the extent to which the external auditor is engaged to supply non-audit services; and
- ensuring that the Investment Adviser has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

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

The directors' statement on the Company's system of internal control is set out on pages 48 and 49.

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

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

During the year ended 31 March 2019 the Audit Committee discharged its responsibilities by:

- reviewing and approving the external auditor's terms of engagement, remuneration and independence;
- reviewing the external auditor's plan for the audit of the Company's financial statements, including identification of key risks;
- reviewing YFM Private Equity Limited's statement of internal controls operated in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing reports on the effectiveness of YFM Private Equity Limited's compliance procedures;
- reviewing the appropriateness of the Company's accounting policies;
- reviewing the Company's draft annual financial statements, half yearly results statement and interim management statements prior to Board approval, including the proposed fair value of investments as determined by the directors;
- reviewing the external auditor's detailed reports to the Committee on the annual financial statements; and
- recommending to the Board and shareholders the re-appointment of BDO LLP as the Company's external auditor.

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

- valuation of unquoted investments; and
- compliance with HM Revenue & Customs' conditions for maintenance of approved venture capital trust status.

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

Corporate Governance (continued)

Valuation of Unquoted Investments

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

Venture Capital Trust Status

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

Financial Statements

The Investment Adviser confirmed to the Audit Committee that it was not aware of any material unadjusted misstatements. Having reviewed the reports received from the Investment Adviser and the auditor, the Audit Committee is satisfied that the key areas of risk and judgement have been appropriately addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities and revenue recognition have been properly appraised and are sufficiently robust. The Committee considers that BDO LLP has carried out its duties as auditor in a diligent and professional manner.

Relationship with the Auditor

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

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

- demonstrated strong technical knowledge and clear understanding of the business;
- indicated professional scepticism in key judgements and raised any significant issues in advance of the audit process commencing;
- allocated an audit team that is appropriately resourced;
- demonstrated a proactive approach to the audit planning process and engaged with the Committee Chairman and other key individuals within the business;
- provided a clear explanation of the scope and strategy of the audit;
- demonstrated the ability to communicate clearly and promptly with the members of the Committee and the Investment Adviser and produce comprehensive reports on its findings;
- demonstrated that it has appropriate procedures and safeguards in place to maintain its independence and objectivity; and
- charged justifiable fees in respect of the scope of services provided.

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

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

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

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

As part of the review of audit effectiveness and independence, BDO LLP has confirmed that it is independent of the Company and has complied with applicable auditing standards. BDO LLP has held office for five years; in accordance with professional guidelines the engagement partner will be rotated after at most five years, and the current partner has served for three years. The committee notes that the last tender process was performed in the year ended 31 March 2014.

The Committee concluded that the re-appointment of BDO LLP as auditor was in the best interests of the Company and of shareholders and its recommendation was endorsed by the Board. The only non-audit services provided by BDO LLP during the year were a review of the unaudited interim report for the six months ended 30 September 2018 and services related to the new Performance Incentive Agreement.

Investment Committee

The Investment Committee currently consists of the three non-executive directors. The Chairman of the Committee is Mr R Cook.

The Investment Committee is authorised to make investment decisions (including new investment, further investment, variation and realisation decisions) on behalf of the Board. Where an urgent decision is required in respect of a potential new quoted investment, the Investment Adviser in conjunction with the Chairman is permitted to make a decision up to an investment level of £250,000, provided that papers have first been circulated to at least the Chairman of the Committee. With regard to the realisation of quoted holdings, the Investment Adviser is authorised to implement the Company's existing strategy for the holding in question within parameters previously agreed by the directors.

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

Allotment Committee

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

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

Relations with Shareholders

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

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the directors and representatives of the Investment Adviser are available in person to meet with and answer shareholders' questions. In addition representatives of the Investment Adviser periodically hold shareholder workshops which review the Company's performance and industry developments, and which give shareholders a further opportunity to meet members of the Board and chief executives or chairmen of some of the investee companies. During the year the Company's Investment Adviser has held regular discussions with shareholders. The directors are made fully aware of shareholders' views. The Chairman and directors make themselves available, as and when required, to address shareholder queries. The directors may be contacted through the Company Secretary whose details are shown on page 91.

Corporate Governance (continued)

The Company's Annual Report is published in time to give shareholders at least 21 clear days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 91. Separate resolutions are proposed for each separate issue. Proxy votes will be counted and the results announced at the Annual General Meeting for and against each resolution.

Internal Control and Risk Management

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

> a clearly defined investment strategy for the Investment Adviser to the Company;

> all decisions concerning the acquisition or disposal of investments are taken by the Board after due consideration of the recommendations made by the Investment Adviser, save for those in respect of quoted investments which are taken by the Investment Adviser (as regards new investment, in conjunction with the Chairman of the Investment Committee) in accordance with the terms as set out on page 47;

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

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

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

The Board confirms the procedures to implement the guidance detailed in section C.2: "Risk Management & Internal Control" of The UK Corporate Governance Code and those identified in the Principles 13 and 15 of the AIC Code were in place throughout the year ended 31 March 2019 and up to the date of this report. A detailed review of the risks faced by the Company and the techniques used to mitigate these risks can be found in the Strategic Report on pages 33 to 35.

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

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

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

> a robust system of internal control is maintained by the Investment Adviser over the preparation and reconciliation of investment portfolio valuations;

> monthly reconciliation of assets held as fixed income securities and cash;

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

> the Audit Committee review of financial reporting and compliance (as set out on pages 44 to 47);

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

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

Following the FCA's registration of the Company as a Small Registered Alternative Investment Fund Manager in 2014 the Company holds its own investments. All investments made for the accounts of and monies received for the Company will be deposited in the name of the Company or will be held by a custodian or the Company's solicitors. All certificates and other documents evidencing title (whether or not in registered form) will be received by the Company and will be held in the Company's name or forwarded directly to the custodian or the Company's solicitors. No third party custodian has been appointed. The Company will take legal ownership of its assets.

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

Conflicts of Interest

The directors have declared any conflicts or potential conflicts of interest to the Board which has the authority to authorise such situations if appropriate. The Company Secretary maintains the Register of Directors' Interests which is reviewed quarterly by the Board, when changes are notified, and the directors advise the Company Secretary and the Board as soon as they become aware of any conflicts of interest. Directors who have conflicts of interest which have been approved by the Board do not take part in discussions or decisions which relate to any of their conflicts. Details of all related party transactions are shown in note 15 on page 84.

Corporate Governance in relation to Investee Companies

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

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

Co-investment

Typically the Company invests alongside other venture capital funds and other private equity funds advised or managed by the Investment Adviser, such syndication spreading investment risk. Details of the amounts invested in individual companies are set out in the Strategic Report. Co-investments are detailed in note 7 to the financial statements on pages 80 to 82.

Management

The Board has delegated the monitoring of the investment portfolio to the Investment Adviser.

This report was approved by the Board on 26 June 2019 and signed on its behalf by

Helen Sinclair
Chairman

British Smaller Companies VCT plc

Registered number 03134749

Directors' Remuneration Report

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

The law requires the Company's auditor, BDO LLP, to audit certain information included in this report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the Independent Auditor's Report on pages 54 to 59.

Directors' Remuneration Policy

This statement of the Directors' Remuneration Policy took effect following approval by shareholders at the AGM held on 1 August 2017. A resolution to approve the Directors' Remuneration Policy will be put to shareholders every three years.

The Board currently comprises three directors, all of whom are non-executive. The Company currently has an independent Remuneration and Nominations Committee, which is comprised of the full Board and of which Mr E Buchan is the independent Chairman.

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

At the last Annual General Meeting over 95 per cent of shareholders who exercised their voting rights voted for the resolution approving the Directors' Remuneration Report, showing significant shareholder approval.

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

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

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

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

Brief biographical notes on the directors are given on page 37.

Statement by the Chairman of the Remuneration and Nominations Committee

The directors' fees payable by the Company have been fixed at June 2014 by the Board at £40,000 per annum for the Chairman and £25,000 per annum for the other Directors. In accordance with the Directors' Remuneration Policy the directors' fees were reviewed in June 2018 by the Board who agreed that they should be held constant and reviewed again in a year's time.

Directors' Remuneration for the year ended 31 March 2019 (audited)

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

There are no executive directors (2018: none).

Table A
Total fees paid (audited)

	2019 £	2018 £
H Sinclair	**40,000**	40,000
CWER Buchan	**25,000**	25,000
R Cook	**25,000**	16,667
PS Cammerman*	**-**	10,417
	90,000	92,084

* Retired from the Board on 1 August 2017.

Directors and their Interests (audited)

The directors of the Company at 31 March 2019 and their beneficial interests in the share capital of the Company (including those of immediate family members) were as shown in Table B:

Table B
Directors and their interests (audited)

	Number of ordinary shares at:		Percentage of voting rights:	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
H Sinclair	**23,062**	23,062	**0.02%**	0.02%
CWER Buchan	**22,280**	22,280	**0.02%**	0.02%
R Cook	**7,750**	-	**0.00%**	-

None of the directors held any options to acquire additional shares at the year end. Subsequent to the year end certain of the directors have subscribed for new shares under the recent fundraising with British Smaller Companies VCT2 plc. The shares, which were allotted on 1 April 2019 are shown in Table C.

TABLE C
Allotted under joint offer for subscription

	Number
CWER Buchan	3,947
R Cook	26,315

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

Relative Importance of Spend on Pay

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

TABLE D
Relative importance of pay

	2019 £	2018 £
Dividends	**11,875,000**	6,150,000
Share buy-backs	**2,009,000**	871,000
Total directors' fees	**90,000**	92,084

Consideration of Employment Conditions of Non-director Employees

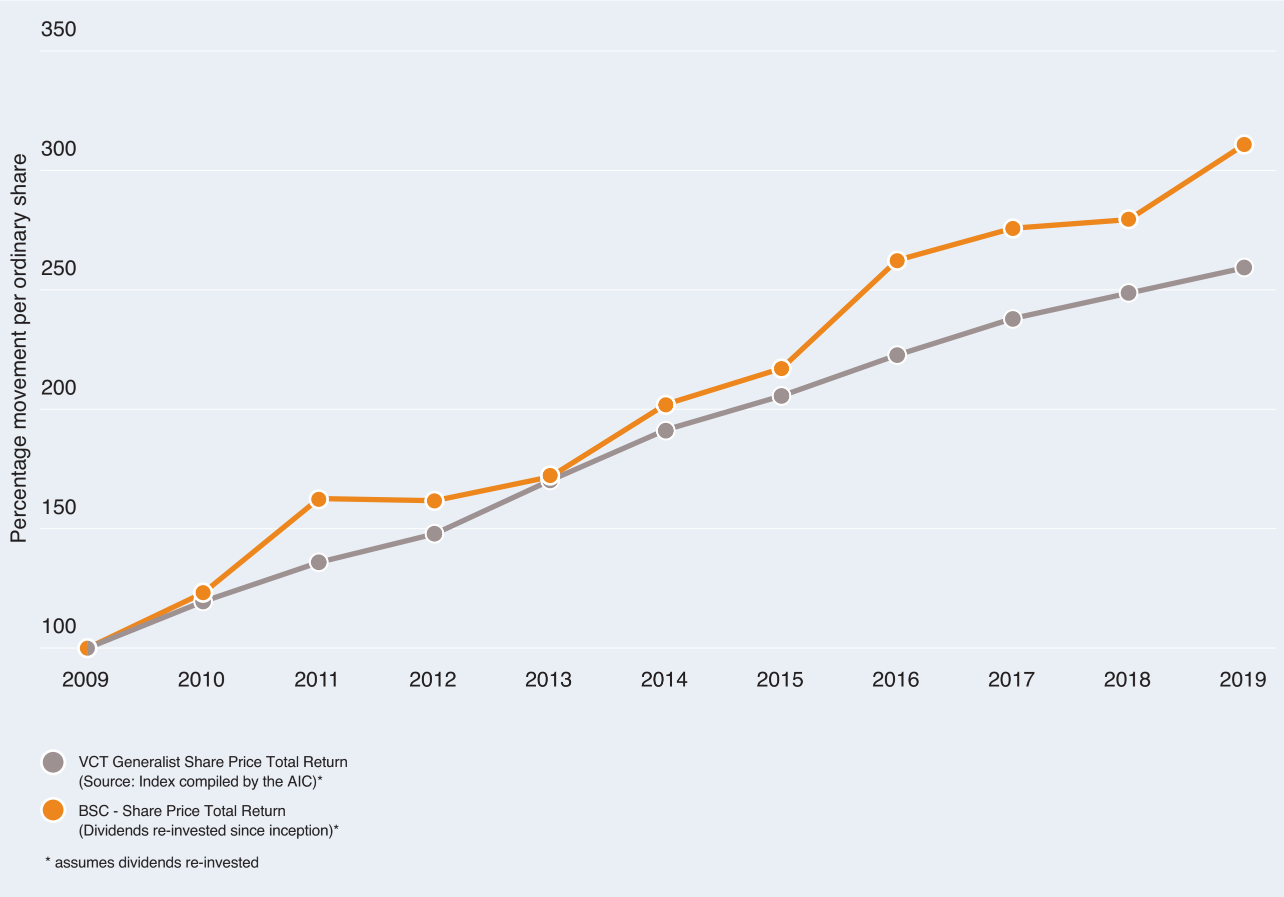
The Company does not have any employees. Accordingly, the disclosures required under paragraph 38 and 39 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are not required.

Directors' Remuneration Report (continued)

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Adviser through the advisory agreement, as referred to in the Directors' Report.

Net asset value Total Return (calculated by reference to the net asset value and cumulative dividends paid, as set out in note 13 of these financial statements and excluding tax reliefs received by shareholders) is the primary recognised measure of performance in the VCT industry. This measure is shown on page 13.



The graph above shows a comparison over the last ten years of the movements in both the Company's Share Price Total Return and the Share Price Total Return for approximately 47 Generalist VCTs as published by the Association of Investment Companies (the AIC). In line with the AIC index all the relative performance measures have been rebased to 100 as at March 2009. The directors consider this to be the most appropriate published index on which to report on comparative performance.

This report was approved by the Board and signed on its behalf on 26 June 2019.

Helen Sinclair
Chairman

Directors' Responsibilities Statement

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

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

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

> select suitable accounting policies and then apply them consistently;

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

> state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and

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

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

Website Publication

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

Directors' Responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

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

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

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

The names and functions of all the directors are stated on page 37.

This statement was approved by the Board and signed on its behalf on 26 June 2019.

Helen Sinclair
Chairman

Independent Auditor's Report

to the members of British Smaller Companies VCT plc

Opinion

We have audited the Financial Statements of British Smaller Companies VCT plc (the 'Company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

> give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of the Company's profit for the year then ended;

> have been properly prepared in accordance with IFRSs as adopted by the European Union; and

> have been prepared in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

> the disclosures in the annual report set out on pages 33 to 35 that describe the principal risks and explain how they are being managed or mitigated;

> the directors' confirmation set out on page 38 in the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;

> the directors' statement set out on page 38 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

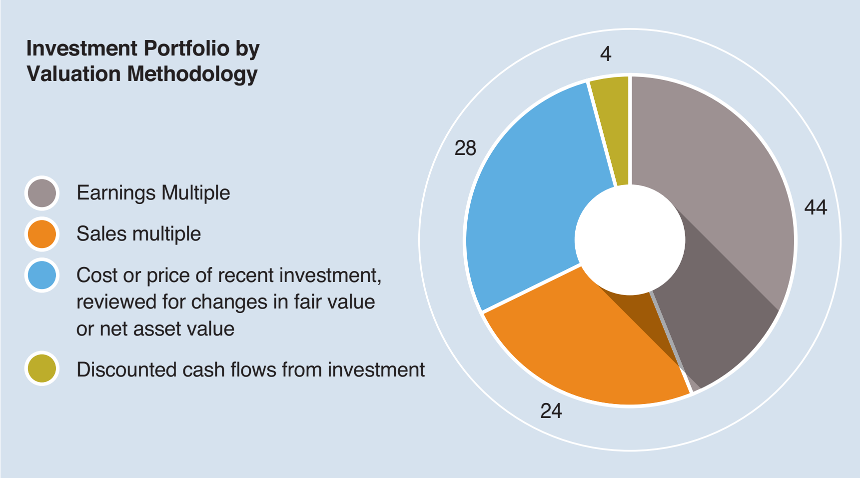
> whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

> the directors' explanation set out on page 38 in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

Matter	Audit response
Valuation of unquoted investments We consider the valuation of investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations. There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Adviser, who is remunerated based on the net asset value of the Company. The Company's accounting policy for assessing the fair value of investments is disclosed on page 65 in note 1 and disclosures regarding the fair value estimates are given on page 74 in note 7.	Our sample for the testing of unquoted investments was stratified according to risk considering, inter alia, the value of individual investments, the nature of the investment, the extent of the fair value movement and the subjectivity of the valuation technique. A breakdown of the investment portfolio valuation technique is shown below.



For all investments in our sample we:

- Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and IFRSs;
- Recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies.

For investments sampled that were valued using less subjective valuation techniques (cost and price of recent investment reviewed for changes in fair value or net asset value) we:

- Verified the cost or price of recent investment or net asset value to supporting documentation;
- Considered whether the investment was an arm's length transaction; and
- Considered whether there were any indications that the cost or price of recent investment or net asset value was no longer representative of fair value considering, inter alia, the current performance of the investee Company and the milestones and assumptions set out in the investment proposal.

Independent Auditor's Report (continued)

Matter	Audit response
	For investments sampled that were valued using more subjective techniques (earnings and sales multiples and discounted cash flows) we: > Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements; > Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable sales and earnings used in the valuations; > Considered the sales or earnings multiples applied by reference to observable listed Company market data; and > Challenged the consistency and appropriateness of adjustments made to such market data in establishing the sales or earnings multiple applied in arriving at the valuations adopted. Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias.

Our application of materiality

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

Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated below. In setting materiality, we had regard to the nature and disposition of the investment portfolio.

Materiality Measure [Basis]	Purpose	Key considerations	2019 Quantum (£)	2018 Quantum (£)
Financial Statement Materiality 2% value of investments	Assessing whether the financial statements as a whole present a true and fair view. We consider this to be the key measurement for shareholders.	> The value of investments > The level of judgement inherent in the valuation > The range of reasonable alternative valuation	1,130,000	1,290,000
Performance Materiality 75% of materiality	The maximum error in an assertion that we would be prepared to accept and still conclude that the result from an audit procedure has achieved our objective.	> The value of investments > The level of judgement inherent in the valuation > The range of reasonable alternative valuation	850,000	970,000
Specific Materiality – classes of transactions and balances which impact on revenue profits 10% revenue return before tax	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	> The level of net income return	120,000	120,000

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £6,000 (2018: £5,500) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

We obtained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These include but were not limited to the Companies Act 2006, the UK Listing rules, the DTR rules, IFRS accounting standards, VAT and other taxes. We also considered the Company's qualification as a VCT under UK tax legislation. We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

There are inherent limitations in an audit of financial statements and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent Auditor's Report (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

> **Fair, balanced and understandable set out on page 53** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

> **Audit Committee reporting set out on pages 44 and 45** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee or

> **Directors' statement of compliance with the UK Corporate Governance Code set out on page 42** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

> the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

> the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

> the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 53, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 31 January 2014 to audit the financial statements for the year ending 31 March 2014 and subsequent financial periods. In respect of the year ended 31 March 2019 we were reappointed by the members of the Company at the Annual General Meeting held on 5 September 2018. The period of total uninterrupted engagement is six years, covering the years ended 31 March 2014 to 31 March 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Peter Smith
(Senior Statutory Auditor)

For and on behalf of BDO LLP,
Statutory Auditor
London, UK

26 June 2019

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

Statement of Comprehensive Income

For the year ended 31 March 2019

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

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

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in November 2014 and updated in February 2018 with consequential amendments – "SORP") published by the AIC.

Balance Sheet

At 31 March 2019

	Notes	2019 £000	2018 £000
ASSETS			
Non-current assets at fair value through profit or loss			
Investments	7	**57,019**	61,756
Listed investment funds	7	**2,494**	2,336
Fixed income Government securities	7	**-**	706
Financial assets at fair value through profit or loss	7	**59,513**	64,798
Accrued income and other assets	8	**656**	1,284
		60,169	66,082
Current assets			
Accrued income and other assets	8	**1,023**	1,733
Cash on fixed term deposit	9	**6,970**	9,001
Cash and cash equivalents	9	**14,030**	10,057
		22,023	20,791
LIABILITIES			
Current liabilities			
Trade and other payables	10	**(169)**	(736)
Net current assets		**21,854**	20,055
Net assets		**82,023**	86,137
Shareholders' equity			
Share capital	11	**11,833**	11,342
Share premium account		**2,868**	-
Capital reserve		**49,556**	53,422
Investment holding gains and losses reserve		**15,250**	18,146
Revenue reserve		**2,516**	3,227
Total shareholders' equity		**82,023**	86,137
Net asset value per ordinary share	12	**74.3p**	79.6p

The accompanying notes on pages 65 to 90 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 26 June 2019.

Helen Sinclair
Chairman

Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve £000	Investment holding gains and losses reserve £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2017	11,101	35,519	221	23,686	15,400	2,145	88,072
Revenue return for the year before tax	-	-	-	-	-	*1,207*	*1,207*
Capital expenses	-	-	-	*(1,290)*	-	-	*(1,290)*
Gain on investments held at fair value	-	-	-	-	*3,218*	-	*3,218*
Gain on disposal of investments in the year	-	-	-	*229*	-	-	*229*
Taxation	-	-	-	*125*	-	*(125)*	-
Total comprehensive (expense) income for the year	-	-	-	(936)	3,218	1,082	3,364
Issue of shares – DRIS	*241*	*1,505*	-	-	-	-	*1,746*
Issue costs – DRIS	-	*(14)*	-	-	-	-	*(14)*
Cancellation of share premium account – net of costs	-	*(37,010)*	*(221)*	*37,221*	-	-	*(10)*
Purchase of own shares	-	-	-	*(871)*	-	-	*(871)*
Dividends	-	-	-	*(6,150)*	-	-	*(6,150)*
Total transactions with owners	241	(35,519)	(221)	30,200	-	-	(5,299)
Realisation of prior year investment holding gains	-	-	-	472	(472)	-	-
Balance at 31 March 2018	**11,342**	**-**	**-**	**53,422**	**18,146**	**3,227**	**86,137**
Revenue return for the year before tax	-	-	-	-	-	*1,094*	*1,094*
Capital return for the year before tax	-	-	-	*(1,233)*	-	-	*(1,233)*
Gain on investments held at fair value	-	-	-	-	*2,258*	-	*2,258*
Gain on disposal of investments in the year	-	-	-	*4,286*	-	-	*4,286*
Taxation	-	-	-	*72*	-	*(72)*	-
Total comprehensive income for the year	-	-	-	3,125	2,258	1,022	6,405
Issue of shares – DRIS	*491*	*2,900*	-	-	-	-	*3,391*
Issue costs – DRIS	-	*(32)*	-	-	-	-	*(32)*
Unclaimed dividends	-	-	-	*6*	-	-	*6*
Purchase of own shares	-	-	-	*(2,009)*	-	-	*(2,009)*
Dividends	-	-	-	*(10,142)*	-	*(1,733)*	*(11,875)*
Total transactions with owners	491	2,868	-	(12,145)	-	(1,733)	(10,519)
Realisation of prior year investment holding gains	-	-	-	5,154	(5,154)	-	-
Balance at 31 March 2019	**11,833**	**2,868**	**-**	**49,556**	**15,250**	**2,516**	**82,023**

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

Statement of Changes in Equity (continued)

For the year ended 31 March 2019

Reserves available for distribution

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

	Capital reserve £000	Revenue reserve £000	Total £000
Distributable reserves as opposite	49,556	2,516	52,072
Less : Interest, dividends and proceeds not yet distributable	(1,101)	(1,323)	(2,424)
: Revaluation losses	(1,935)	-	(1,935)
: Cancelled share premium not yet distributable (see below)	(16,074)	-	(16,074)
Reserves available for distribution[1]	**30,446**	**1,193**	**31,639**

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

The capital reserve and revenue reserve are both distributable reserves. The reserves total £52,072,000 representing a decrease of £4,577,000 during the year. The directors also take into account the level of the investment holding gains and losses reserve and the future requirements of the Company when determining the level of dividend payments. On 12 June 2019 an interim dividend for the year ending 31 March 2020 (4.0 pence per ordinary share) was paid which has reduced these reserves by £5,565,000.

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

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

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

Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 £000	2018 £000
Net cash outflow from operating activities		**(204)**	(3,475)
Cash flows from (used in) investing activities			
Cash maturing from fixed term deposit		**2,031**	4,023
Purchase of financial assets at fair value through profit or loss	7	**(6,126)**	(10,586)
Proceeds from sale of financial assets at fair value through profit or loss	7	**17,471**	6,144
Deferred consideration	7	**1,374**	269
Net cash inflow (outflow) from investing activities		**14,750**	(150)
Cash flows from (used in) financing activities			
Issue of ordinary shares		**-**	4,245
Costs of ordinary share issues*		**(32)**	(118)
Purchase of own ordinary shares		**(2,009)**	(871)
Share premium cancellation costs		**-**	(10)
Dividends paid	5	**(8,532)**	(4,411)
Net cash outflow used in financing activities		**(10,573)**	(1,165)
Net increase (decrease) in cash and cash equivalents		**3,973**	(4,790)
Cash and cash equivalents at the beginning of the year		**10,057**	14,847
Cash and cash equivalents at the end of the year	9	**14,030**	10,057

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

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

	2019 £000	2018 £000
Profit before taxation	**6,405**	3,364
Decrease in trade and other payables	**(514)**	(3,142)
Decrease (increase) in trade and other receivables	**635**	(161)
Gain on disposal of investments	**(4,286)**	(229)
Gains on investments held at fair value	**(2,258)**	(3,218)
Capitalised interest and dividends	**(186)**	(89)
Net cash outflow from operating activities	**(204)**	(3,475)

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

Notes to the Financial Statements

1. Principal Accounting Policies

Basis of Preparation

The accounts have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The accounts have been prepared in compliance with the recommendations set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies (issued in November 2014 and updated in February 2018 with consequential amendments – "SORP") to the extent that they do not conflict with IFRSs as adopted by the European Union.

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

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

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

Financial Assets held at Fair Value through Profit or Loss

Financial assets designated as at fair value through profit or loss 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.

Notes to the Financial Statements (continued)

1. Principal Accounting Policies (continued)

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 investment 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, where appropriate, the International Private Equity and Venture Capital (IPEV) Valuation Guidelines ("the Guidelines") issued in December 2015. The Guidelines were revised in December 2018. The Company has reviewed the revised guidelines and considers that these, which will be effective for the year ending 31 March 2020, will not have a significant effect on the Company's results or net assets. Quoted investments are valued at market bid prices. A detailed explanation of the valuation policies of the Company is included below.

Initial measurement

Financial assets are initially measured at fair value. The best estimate of the initial fair value of a financial asset that is either quoted or not quoted in an active market is the transaction price (i.e. cost).

Subsequent measurement

The Guidelines identify 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

- **Price of recent investment, reviewed for change in fair value**. This represents the cost of the investment or the price at which a significant amount of new investment has been made by an independent third party adjusted, if necessary, for factors relevant to the background of the specific investment. The value of the investment is assessed for changes or events that would imply either a reduction or increase to its fair value through comparison of financial, technical and marketing milestones set at the time of investment. Where it is considered that the fair value no longer approximates to the cost of the recent investment an estimated adjustment to the cost, based on objective data, will be made to the investment's carrying value.
- **Earnings multiple.** A multiple that is appropriate and reasonable, given the risk profile and earnings growth prospects of the underlying company, is applied to the maintainable earnings of that 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.
- **Sales multiples and industry valuation benchmarks.** Where appropriate comparator companies can be identified, multiples of revenues may be used as a valuation benchmark.
- **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.

Discounted cash flows and industry valuation benchmarks 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.

Where an independent third party valuation exists, this will be used as the basis to derive the gross attributable enterprise value of the company. In other cases, the most suitable valuation technique, as set out above, is used to determine this value. This value is then apportioned appropriately to reflect the respective amounts accruing to each financial instrument holder in the event of a sale at that level at the reporting date.

Unquoted investments held in the form of loan investments are valued at fair value using the appropriate methodologies as used for valuing equity investments, primarily being price of recent investment, earnings multiple and sales multiple.

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. Where the Company judges that the level of trading does not meet these requirements one of the methodologies above will be used to value the investment. No methodology other than active market bid price has been applied as at 31 March 2019.

Income

Dividend income on unquoted equity shares is recognised at the time when the right to the income is established. Interest on loan stock and dividends on preference shares are accrued daily on an effective rate basis. Provision is made against this income where recovery is doubtful. Where interest and preference dividends are rolled up and/or payable at redemption then they are recognised as income unless there is reasonable doubt as to their receipt.

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 Investment Adviser's fee and incentive fees. Of the Investment Adviser'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 Investment Adviser (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 and Cash Equivalents

Cash and cash equivalents include cash at hand as this meets 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 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 flows classified as "operating activities" for the purposes of the Statement of Cash Flows are those arising from the Revenue column of the Income Statement, 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',generally being advisory and incentive fees payable to the Investment Adviser. The capital cash flows relating to 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.

Notes to the Financial Statements (continued)

1. Principal Accounting Policies (continued)

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 Redemption Reserve

The nominal value of shares bought back and cancelled is held in this reserve, so that the Company's capital is maintained.

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 Investment Adviser's fee expense, together with the related taxation effect to this reserve in accordance with the policy on expenses in note 1 of the financial statements;
- Incentive fee payable to the Investment Adviser;
- Capital dividends paid to shareholders;
- 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 advisory fee expense as detailed in the Capital Reserve above.

Taxation

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

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

Dividends Payable

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

Segmental Reporting

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

Critical Accounting Estimates and Judgements

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

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

2. Income

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

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

Notes to the Financial Statements (continued)

3. Administrative Expenses

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

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

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

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

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

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

Following the Financial Conduct Authority's registration of the Company as a Small Registered Alternative Investment Fund Manager in 2014, the Company has retained responsibility for the custody of its investments.

The key features of the IAA are:

> YFM Private Equity Limited receives an Investment Adviser fee, calculated at half-yearly intervals as at 31 March and 30 September, at the rate of 2.0 per cent of gross assets less current liabilities. The Investment Advisory fee is allocated between capital and revenue as described in note 1. The fee is payable quarterly in advance.

- With effect from 1 April 2019 the annual advisory fee payable to the Investment Adviser will be 1.0 per cent on all surplus cash, defined as all cash above £15 million, unless an incentive fee has been paid under the new agreement in which case the amount determined to be surplus will be the excess over £7.5 million. The annual fee on all other assets will be 2.0 per cent of net assets per annum. Based on the Company's net assets at 31 March 2019 of £82,023,000 and cash of £21,000,000 at that date, this equates to £1,580,000 per annum, a reduction of £60,000 from the annual fee which would have been payable prior to the amendment;
- Under the IAA YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee of £35,000 per annum (at 28 February 1996) plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged fully to revenue, and totalled £64,000 for the year ended 31 March 2019 (2018: £62,000); and
- YFM Private Equity Limited shall bear the annual operating costs of the Company (including the advisory fee set out above but excluding any payment of the performance incentive fee, details of which are set out below and excluding VAT and trail commissions payable to financial intermediaries) to the extent that those costs exceed 2.9 per cent of the net asset value of the Company. The excess expenses during the year payable to the Company from YFM Private Equity Limited amounted to £nil (2018: £nil).

When the Company makes investments into its unquoted portfolio the Investment Adviser charges that investee an advisory fee or arrangement fee, calculated by applying a percentage to the investment amount. The Company and the Investment Adviser have agreed that, if the average of the relevant fees during the Company's financial year exceeds 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on holdings this excess will be rebated to the Company. As at 31 March 2019, the Company was due a rebate from the Investment Adviser of £nil (2018: £nil).

Under the terms of the incentive agreement in place at the start of the year, the Investment Adviser would have received an incentive payment equal to 20 per cent of the amount by which dividends paid in the relevant accounting period exceeded 4.0 pence per ordinary share (increasing in line with RPI) once cumulative dividends of 10.0 pence per ordinary share from 1 April 2009 have been paid. These incentive payments were subject to cumulative shortfalls in any prior accounting periods being made up and the average adjusted net asset value per ordinary share in the relevant accounting period being not less than 94.0 pence per ordinary share, as adjusted for the impact of share issues and buy-backs.

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

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

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

Notes to the Financial Statements (continued)

3. Administrative Expenses (continued)

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

The total dividends paid in the year are 11.0 pence per ordinary share and the Total Return hurdle for the year ended 31 March 2019 was 233.9 pence per ordinary share while the Total Return at 30 March 2019 was 221.7 pence per ordinary share, a shortfall of 12.2 pence per ordinary share and as a result, the Investment Adviser has not met the targets for the year under review and no performance fee has accrued to the Investment Adviser (31 March 2018: £nil). If the annual incentive fee exceeds a certain threshold then the excess is deferred until following the next year's Annual General Meeting. Payment of the remainder is made five business days after the relevant Annual General Meeting at which the audited accounts are presented to shareholders.

The amount of the incentive payment paid to the Investment Adviser for any one year shall, when taken with all other relevant costs, ensure that the Total Expenses Ratio is no greater than 5 per cent of the net asset value at the end of the financial year (as adjusted for all realised gains that have been distributed during that year). Any unpaid incentive payment will be carried over to subsequent financial years and be included in the calculation of the Total Expenses Ratio. The maximum fee payable in any 12 month period cannot exceed an amount which would represent 25 per cent or more of the net asset value or market capitalisation of the Company.

The Investment Adviser has not met these targets in the current year or the prior year although they were exceeded in the year to 31 March 2017. Consequently £nil has been accrued within trade and other payables (2018: £523,305) in respect of the year ended 31 March 2019. The amount accrued at 31 March 2018, which related to the final payment of the incentive fee arising in the year to 31 March 2017, was paid following the Annual General Meeting on 5 September 2018.

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

The total remuneration payable to YFM Private Equity Limited under the IAA and the Incentive Agreement in the period was £1,778,000 (2018: £1,782,000).

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

Under the IAA, YFM Private Equity Limited is entitled to receive fees from investee companies in respect of the provision of non-executive directors and other advisory services. YFM Private Equity Limited is responsible for paying the due diligence and other costs incurred in connection with proposed investments which for whatever reason do not proceed to completion. In the year ended 31 March 2019 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £734,000 (2018: £680,000).

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

4. Taxation

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

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

Deferred tax assets of £1,784,000 (2018: £1,628,000) calculated at 17% in respect of unrelieved management expenses (£10.49 million as at 31 March 2019 (2018: £9.58 million)) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which assets can be recovered.

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

5. Dividends

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

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

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

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

Notes to the Financial Statements (continued)

5. Dividends (continued)

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

6. Basic and Diluted Earnings per Ordinary Share

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to shareholders of £6,405,000 (2018: £3,364,000) and 108,988,846 (2018: 108,702,504) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue earnings per ordinary share is based on the profit for the year attributable to shareholders of £1,022,000 (2018: £1,082,000) and 108,988,846 (2018: 108,702,504) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital earnings per ordinary share is based on the capital profit for the year attributable to shareholders of £5,383,000 (2018: £2,282,000) and 108,988,846 (2018: 108,702,504) ordinary shares being the weighted average number of ordinary shares in issue during the year.

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

The Company has also repurchased 2,750,155 of its own shares in the year and these shares are held in the Capital Reserve. The total of 7,975,173 treasury shares has been excluded in calculating the weighted average number of ordinary shares for the period. The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per ordinary share are the same.

The Company has no potentially dilutive shares and hence the basic and diluted earnings per ordinary share are equivalent for both of the years ended 31 March 2019 and 31 March 2018.

7. Financial Assets at Fair Value through Profit or Loss

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 sales 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.

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

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

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

Valuation of Investments

Full details of the methods used by the Company are set out in note 1 of these financial statements. Where investments are held in 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 2019 are summarised as follows:

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

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

There were no individual reductions in fair value during the year that exceeded 5 per cent of the total assets of the Company (2018: £nil).

Level 3 valuations include assumptions based on non-observable market data, such as discounts applied either to reflect change in fair value of financial assets held at the price of recent investment, or to adjust earnings multiples. IFRS 13 requires an entity to disclose quantitative information about the significant unobservable inputs used. Of the Company's Level 3 investments, 44 per cent are held on an earnings multiple basis and 25 per cent on a sales multiple basis, and therefore have significant judgement applied to the valuation inputs.

Notes to the Financial Statements (continued)

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

The table below sets out the range of Price Earnings (PE) multiples, Sales multiples (SM) and discounts applied in arriving at investments valued on these bases. Of the remaining Level 3 investments 15 per cent are based on the price of a recent investment round reviewed for impairment, 12 per cent are held at cost reviewed for change in fair value and 4 per cent are measured on a discounted cash flows from investment basis.

	Earnings multiple inputs	Software, IT & Telecoms	Business Services	Manufacturing & Industrial Services	Retail & Brands	Healthcare
2019	**PE Multiple Range**	**15.83-27.49**	**20.24-23.29**	**18.60-25.66**	**18.60-28.69**	**-**
	PE Multiple Weighted Average	**20.92**	**21.57**	**22.79**	**27.24**	**-**
2018	PE Multiple Range	27.16	17.50-19.33	10.60-27.16	15.48-17.36	25.97
	PE Multiple Weighted Average	27.16	18.79	22.59	15.71	25.97
2019	**Combined PE and/or Marketability Discount Range**	**44%-72%**	**52%-68%**	**52%-64%**	**40%-64%**	**-**
	Combined PE and/or Marketability Discount Weighted Average	**56%**	**62%**	**58%**	**43%**	**-**
2018	Combined PE and/or Marketability Discount Range	68%	40%-68%	28%-68%	40%-52%	56%
	Combined PE and/or Marketability Discount Weighted Average	68%	53%	59%	41%	56%

	Sales multiple inputs	Software, IT & Telecoms
2019	**Sales Multiple Range**	**3.78-7.75**
	Sales Multiple Weighted Average	**5.55**
2018	Sales Multiple Range	4.32-6.52
	Sales Multiple Weighted Average	5.17
2019	**Combined SM and/or Marketability Discount Range**	**32%-68%**
	Combined SM and/or Marketability Discount Weighted Average	**49%**
2018	Combined SM and/or Marketability Discount Range	36%-68%
	Combined SM and/or Marketability Discount Weighted Average	54%

The standard also requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. Each unquoted portfolio company has been reviewed in order to identify the sensitivity of the valuation methodology to using alternative assumptions. Where discounts have been applied (for example to Earnings Levels, Sales levels or PE/SM ratios) alternatives have been considered which still fall within the IPEV Guidelines (see page 66). For each unquoted investment, two scenarios have been modelled: more prudent assumptions (downside case) and more optimistic assumptions (upside case). Applying the downside alternative the value of the unquoted investments would be £3.7 million or 6.8 per cent lower. Using the upside alternative the value would be increased by £3.8 million or 6.9 per cent.

Movements in investments at fair value through profit or loss during the year to 31 March 2018 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1		Level 1	Level 1	
	Unquoted Investments £000	Quoted Equity Investments £000	Total Quoted and Unquoted £000	Listed Investment Funds £000	Fixed Income Securities £000	Total Investments £000
Opening cost	40,277	862	41,139	-	1,424	42,563
Opening investment holding gain	13,802	1,578	15,380	-	20	15,400
Opening fair value at 1 April 2017	**54,079**	**2,440**	**56,519**	**-**	**1,444**	**57,963**
Additions at cost	8,155	-	8,155	2,431	-	10,586
Capitalised dividends	89	-	89	-	-	89
Disposal proceeds	(5,840)	(689)	(6,529)	-	(725)	(7,254)
Net profit (loss) on disposal*	163	36	199	-	(3)	196
Change in fair value	2,919	404	3,323	(95)	(10)	3,218
Closing fair value at 31 March 2018	**59,565**	**2,191**	**61,756**	**2,336**	**706**	**64,798**
Closing cost	42,793	732	43,525	2,431	696	46,652
Closing investment holding gain (loss)	16,772	1,459	18,231	(95)	10	18,146
Closing fair value at 31 March 2018	**59,565**	**2,191**	**61,756**	**2,336**	**706**	**64,798**

* The net profit on disposal in the table above is £196,000 whereas that shown in the Statement of Comprehensive Income is £229,000. The difference comprises deferred proceeds of £33,000 in respect of assets which have been disposed of and were not included within the investment portfolio at 31 March 2017.

Notes to the Financial Statements (continued)

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

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

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

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

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

The following disposals and loan repayments took place in the year to 31 March 2018:

	Net proceeds from sale** £000	Cost £000	Opening carrying value as at 1 April 2017 £000	Profit (loss) on disposal £000
Unquoted investments:				
Selima Holding Company Ltd*	2,064	600	1,417	647
GTK (Holdco) Limited	679	679	679	-
Harvey Jones Holdings Limited	970	735	975	(5)
Macro Art Holdings Limited	156	156	156	-
PowerOasis Limited	45	45	45	-
ACC Aviation Group Limited	926	926	926	-
Fairlight Bridge Limited	1,000	1,000	1,000	-
The Heritage Window Company Holdco Limited	-	1,587	479	(479)
Quoted investments:				
AB Dynamics plc	392	67	400	(8)
Gamma Communications plc	120	35	91	29
Mattioli Woods plc	177	28	162	15
Total from disposals in the year	6,529	5,858	6,330	199
Deferred proceeds:				
Callstream Group Limited	33	-	-	33
Total from quoted and unquoted investments	**6,562**	**5,858**	**6,330**	**232**
Fixed income securities	725	728	728	(3)
Total	**7,287**	**6,586**	**7,058**	**229**

* Included potential deferred proceeds of £110,000.

** The total from disposals in the table above is £7,287,000 whereas that shown in the Statement of Cash Flows is £6,144,000. This is due to the timing differences between the recognition of the deferred income and its receipt in cash.

Significant Interests

YFM Private Equity Limited, the Company's Investment Adviser, also acts as investment adviser or manager to certain other funds that have invested in some of the companies within the current portfolio of the Company. Details of these investments are summarised in the tables on pages 80 and 81.

Notes to the Financial Statements (continued)

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

At 31 March 2019 the Company held a significant holding of at least 20 per cent of the issued ordinary share capital, either individually or alongside commonly advised/managed funds, in the following companies:

Company	Principal activity	No of shares held by the Company	Percentage of class held by the Company*	Percentage of class held by commonly advised / managed funds*
ACC Aviation Group Limited**	Business Services	220,000	27%	68%
Bagel Nash Group Limited	Food Retail and Manufacturing	49,648	7%	40%
Biz2Mobile Limited	Software, IT & Telecomms	3,392,382	16%	26%
Business Collaborator Limited**	Software, IT & Telecomms	189,000	29%	48%
Deep-Secure Ltd	Software, IT & Telecomms	99,386	16%	56%
DisplayPlan Holdings Limited**	Business Services	2,340	23%	35%
e2E Engineering Limited	Manufacturing & Industrial	523	13%	22%
EL Support Services Limited**	Business Services	3,500	50%	100%
Friska Limited**	Retail & Brands	90,348	22%	36%
Harris Hill Holdings Limited	Business Services	65,714	10%	36%
The Heritage Window Company Holdco Limited**	Manufacturing & Industrial	15,000	30%	50%
Intamac Systems Limited	Software, IT & Telecomms	500,000	4%	36%
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)**	Business Services	159,913	27%	44%
KeTech Enterprises Limited	Software, IT & Telecomms	128,333	15%	46%
Macro Art Holdings Limited**	Business Services	150,000	21%	35%
Matillion Limited	Software, IT & Telecomms	38,756	11%	21%
NB Technology Services Limited**	Software, IT & Telecomms	3,500	50%	100%
Ncam Technologies Limited**	Software, IT & Telecomms	57,275	25%	57%
OC Engineering Services Limited**	Retail & Brands	3,500	50%	100%
RMS Group Holdings Limited	Manufacturing & Industrial	153,293	15%	21%
Seven Technologies Holdings Limited	Software, IT & Telecomms	654,862	14%	60%
SH Healthcare Services Limited**	Healthcare	3,500	50%	100%
Sipsynergy (via Hosted Network Services Limited)**	Software, IT & Telecomms	443,748	20%	50%
SP Manufacturing Services Limited**	Manufacturing & Industrial	3,500	50%	100%
Springboard Research Holdings Limited	Business Services	257,840	19%	32%
Wakefield Acoustics (via Malvar Engineering Limited)**	Manufacturing & Industrial	74,400	26%	44%

* Fully diluted holding. The percentage held by commonly advised / managed funds includes the percentage held by the Company.

** The registered office of these significant holdings is given on page 91.

In a number of cases the issued ordinary share capital of an investee company is split into different classes of shares and thus the percentages given opposite do not necessarily represent the Company's (or other commonly managed funds) percentage holding of an investee company's total equity.

The amounts shown below are the net cost of investments as at 31 March 2019 and exclude those companies which are in receivership or liquidation.

	British Smaller Companies VCT plc £000	British Smaller Companies VCT2 plc £000	Other commonly managed/ advised funds £000	Total £000
ACC Aviation Group Limited	220	145	185	550
Arcus Global Limited	1,800	1,200	-	3,000
Bagel Nash Group Limited	944	630	2,185	3,759
Biz2Mobile Limited	1,658	1,106	-	2,764
Business Collaborator Limited	2,010	1,340	-	3,350
Deep-Secure Ltd	1,000	500	3,000	4,500
DisplayPlan Holdings Limited	130	70	-	200
e2E Engineering Limited	900	600	-	1,500
Eikon Holdco Limited	3,000	2,000	1,000	6,000
EKF Diagnostics plc	242	236	-	478
EL Support Services Limited	500	500	-	1,000
Frescobol Carioca Limited	1,800	1,200	-	3,000
Friska Limited	1,800	1,200	-	3,000
The Heritage Window Company Holdco Limited	615	410	300	1,325
Harris Hill Holdings Limited	543	-	2,206	2,749
Intamac Systems Limited	302	905	2,422	3,629
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	2,934	1,956	-	4,890
KeTech Enterprises Limited	1,500	1,500	1,000	4,000
Leengate Holdings Limited	1,074	716	-	1,790
Macro Art Holdings Limited	720	480	-	1,200
Matillion Limited	2,666	1,778	635	5,079
Ncam Technologies Limited	1,902	1,268	1,194	4,364
NB Technology Services Limited	500	500	-	1,000
OC Engineering Services Limited	500	500	-	1,000
Renalytix plc	97	74	-	171
RMS Group Holdings Limited	180	70	-	250
Seven Technologies Holdings Limited	1,692	1,235	5,965	8,892

Notes to the Financial Statements (continued)

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

	British Smaller Companies VCT plc £000	British Smaller Companies VCT2 plc £000	Other commonly managed/ advised funds £000	Total £000
SH Healthcare Services Limited	500	500	-	1,000
SP Manufacturing Services Limited	500	500	-	1,000
Springboard Research Holdings Limited	2,735	1,824	-	4,559
Sipsynergy (via Hosted Network Services Ltd)	1,770	1,309	921	4,000
TeraView Limited	377	377	-	754
Traveltek Group Holdings Limited	1,660	1,114	2,002	4,776
Volex plc	535	352	-	887
Wakefield Acoustics (via Malvar Engineering Limited)	1,080	720	-	1,800

8. Accrued Income and Other Assets

	2019 £000	2018 £000
Non-current assets:		
Accrued income on financial assets	**656**	1,284
Current assets:		
Accrued income on financial assets	**922**	1,691
Accrued income on cash, cash equivalents and cash deposits	**5**	5
Prepayments	**96**	37
	1,023	1,733

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

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

9. Cash and Cash Equivalents

	2019 £000	2018 £000
Cash at bank	**14,030**	10,057
Cash and Cash Equivalents	**14,030**	10,057

At 31 March 2019 a further £6.97 million (2018: £9.00 million) is also held in notice and fixed term deposit accounts with a notice period of 95 days. In accordance with the definition of cash and cash equivalents the amounts in both the current and prior year are shown separately as a current asset on the face of the balance sheet.

10. Trade and Other Payables

	2019 £000	2018 £000
Amounts payable within one year:		
Accrued expenses	**169**	213
Incentive fee	**-**	523
	169	736

An amount of £523,305 was accrued within trade and other payables in relation to the performance incentive fee for the year ended 31 March 2017.This was paid following the Annual General Meeting in September 2018.

11. Called-up Share Capital

	2019 Allotted, called-up and fully paid £000	2018 Allotted, called-up and fully paid £000
Ordinary shares of 10 pence Issued: 118,332,971 (2018: 113,415,182) including 7,975,173 shares held in treasury (2018: 5,225,018).	**11,833**	11,342

The movements in the year were as follows:

		Price pence	Date	Number of shares	Share Capital £000
Total as at 1 April 2018				113,415,182	11,342
Issue of shares	DRIS	70.68	18 May 2018	1,751,747	175
Issue of shares	DRIS	68.02	15 February 2019	3,166,042	316
As at 31 March 2019 (including treasury shares)				**118,332,971**	**11,833**
As at 31 March 2019 (excluding treasury shares)				**110,357,798**	

During the year the Company purchased 2,750,155 (2018: 1,177,019) of its own shares and these shares are held on the balance sheet in the Capital Reserve. Full details of the share purchases are set out in the Directors' Report under the heading 'Buy-back and Issue of Shares'. The treasury shares have been included in calculating the number of ordinary shares in issue, and excluded in calculating the number of ordinary shares with voting rights in issue at 31 March 2019 and 31 March 2018.

Notes to the Financial Statements (continued)

11. Called-up Share Capital (continued)

The movement in the previous year to 31 March 2018 was as follows:

		Price pence	Date	Number of shares	Share Capital £000
Total as at 1 April 2017				111,007,496	11,101
Issue of shares	DRIS	72.53	26 May 2017	2,407,686	241
As at 31 March 2018 (including treasury shares)				**113,415,182**	**11,342**
As at 31 March 2018 (excluding treasury shares)				**108,190,164**	

12. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £82,023,000 (2018: £86,137,000) and 110,357,798 (2018: 108,190,164) ordinary shares in issue at the year end.

The treasury shares have been excluded in calculating the number of ordinary shares in issue at 31 March 2019 and 31 March 2018.

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

13. Total Return per Ordinary Share

The Total Return per ordinary share is calculated on cumulative dividends paid of 147.4 pence per ordinary share (2018: 136.4 pence per ordinary share) plus the net asset value as calculated per note 12.

14. Financial Commitments

There are no financial commitments at 31 March 2019 or 31 March 2018.

15. Related Party Transactions

There are no related party transactions.

16. Events after the Balance Sheet Date

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

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

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

17. Financial Instruments

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

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

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

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

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

Assets as per balance sheet

	2019 Other assets £000	2019 Assets at fair value through profit or loss £000	2018 Other assets £000	2018 Assets at fair value through profit or loss £000
Non-current assets at fair value through profit or loss				
Financial assets	**-**	**59,513**	-	64,798
Accrued income on financial assets	**-**	**656**	-	1,284
Current assets				
Cash and cash equivalents	**14,030**	**-**	10,057	-
Cash on fixed term deposit	**6,970**	**-**	9,001	-
Accrued income on financial assets	**-**	**922**	-	1,691
Accrued income on cash, cash equivalents and cash deposits	**5**	**-**	5	-
	21,005	**61,091**	19,063	67,773
Other assets – not financial instruments	**96**	**-**	37	-
	21,101	**61,091**	19,100	67,773

Liabilities as per balance sheet

	2019 Other financial liabilities £000	2018 Other financial liabilities £000
Trade and other payables	**(169)**	(736)

Notes to the Financial Statements (continued)

17. Financial Instruments (continued)

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

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

17a Market Risk

Market Price Risk

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

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

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

Of the Company's financial assets through profit or loss, 3 per cent are quoted on AIM (2018: 3 per cent) and 4 per cent (2018: 4 per cent) are investment funds listed on the main market of the London Stock Exchange (including FCA authorised and regulated UCITS funds). A 5 per cent increase in stock prices as at 31 March 2019 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £209,000 (2018: £226,000). An equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by an equal amount.

Of the Company's financial assets through profit or loss, 93 per cent are in unquoted companies held at fair value (2018: 92 per cent). The valuation methodology for these investments includes the application of externally produced sales multiples and FTSE® PE multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Investments have been valued in line with the valuation guidelines described within Note 1. Those using earnings and sales multiple methodologies include judgements regarding the level of discount applied to that multiple. A 10 per cent decrease in the discount applied would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £4,334,000 (5.3 per cent of net assets). An equal change in the opposite direction would have decreased net assets attributable to the Company's shareholders and the total profit for the year by the same amount.

Other valuations are valued at the price of recent investment, reviewed and discounted where the fair value of the investment no longer equates to the cost of the recent investment. A 10 per cent decrease in the discount applied would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £56,000 (0.1 per cent of net assets). A 10 per cent increase in the discount applied would have decreased the net assets attributable to the Company's shareholders and the total profit for the year by £879,000 (1.1 per cent of net assets).

The largest single concentration of risk relates to the Company's investment in Matillion Limited which constitutes 10.0 per cent (2018: 5.7 per cent) of the net assets attributable to the Company's shareholders. The Board seeks to mitigate this risk by diversifying the portfolio and monitors the status of all investments on an ongoing basis. The average investment (excluding both those whose value has been reduced to nil and those managed on a discretionary basis by Brewin Dolphin Securities Limited) is 2.0 per cent (2018: 1.9 per cent) of the value of net assets.

Comparison of realised proceeds to unrealised valuations

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

Full disposal	Date of Disposal	Sale Proceeds £000	Valuation £000	Increase (decrease) £000
Sheet Piling (UK) Limited	Mar-10	1,288	750	538
Primal Pictures Limited	Aug-12	537	307	230
Fishawack Limited	Mar-13	1,303	896	407
Waterfall Services Limited	Dec-14	3,854	1,952	1,902
President Engineering Group Limited	Jul-15	7,534	4,071	3,463
Insider Technologies (Holdings) Limited	Oct-15	1,159	880	279
Callstream Group Limited	Mar-16	785	773	12
GO Outdoors Topco Limited	Nov- 16 & Apr-11	20,849	9,932	10,917
Cambrian Park & Leisure Homes Limited	Mar-17	-	1,876	(1,876)
Ness (Holdings) Limited	Mar-17	124	764	(640)
Selima Holding Company Ltd*	May-17	2,791	923	1,868
Harvey Jones Holdings Limited	Aug-17	970	1,113	(143)
PowerOasis Limited	Aug-18	-	273	(273)
Gill Marine Holdings Limited	Dec-18	3,802	2,569	1,233
GTK (Holdco) Limited	Dec-18	3,751	2,738	1,013
Mangar Health Limited	Dec-18	5,513	3,962	1,551
Other	Dec-09 to Jan-17	172	124	48
		54,432	**33,903**	**20,529**

* includes estimated value of deferred consideration on exit or liquidation

Notes to the Financial Statements (continued)

17. Financial Instruments (continued)

Interest Rate Risk

The Company's venture capital investments include £13,361,000 (2018: £21,213,000) of loan stock in unquoted companies. The majority of this loan stock at 31 March 2019 is at fixed rates to guard against fluctuations in interest rates. As a result the Company is exposed to cash flow interest rate risk on £750,000 (2018: £750,000) of its loan stock portfolio.

The Company has some exposure to interest rates as a result of interest earned on bank deposits. Other financial assets (being accrued income) and other financial liabilities (being accrued expenses) attract no interest. A sensitivity analysis has not been performed as the amounts involved are not considered to be significant.

		2019			2018	
	£000	Weighted average interest rate %	Weighted average time for which rate is fixed Months	£000	Weighted average interest rate %	Weighted average time for which rate is fixed Months
Fixed rate loan stock and preference shares	**20,384**	**8.6**	**25**	30,157	8.8	23
Cash on fixed term deposit	**6,970**	**1.4**	**2**	9,001	1.1	2
Fixed income securities	**-**	**-**	**-**	706	1.3	4
Combined	**27,354**	**6.7**	**19**	39,864	6.9	18

Exchange Rate Risk

The Company has no significant direct exposure to exchange rate risk.

17b Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Adviser has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets excluding equity investments total £46,362,000 (2018: £56,229,000) which best represents the maximum credit risk exposure at the balance sheet date.

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

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

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

The only significant assets not held at fair value are cash and cash equivalents and cash on fixed term deposit. The cash held by the Company is held across a number of banks to spread the risk. Bankruptcy or insolvency of these banks may cause the Company's rights with respect to the cash held by the bank to be delayed or limited. Should the credit quality or the financial position of the banks deteriorate significantly the Investment Adviser will move the cash holdings to another bank.

The Company holds a number of listed investment funds. Market disruption could delay the Company's ability to redeem these investments and their values may fall. The Investment Adviser and the Board monitor these investments on a regular basis in conjunction with the Company's Financial Adviser. The holdings are intended as medium to long-term investments but they could be sold on the market if necessary.

The maturities of the loan stock portfolio are as follows:

	2019 £000				2018 £000			
	<1 year	**1-2 years**	**2-5 years**	**>5 years**	<1 year	1-2 years	2-5 years	>5 years
Unquoted loan investments	**4,563**	**3,765**	**3,212**	**1,821**	8,432	5,806	6,498	477

Included within unquoted loan investments are £848,000 of loans which are past their due date but have been renegotiated.

An aged analysis of the unquoted loan investments included above which are past due is set out below. For this purpose these loans are considered to be past due when any payment due date under the loan's contractual terms (such as payment of interest) is received late or missed. The full value of the loan is given even though, in some cases, the only default is in respect of interest.

	2019 £000 0-6 months	2018 £000 0-6 months
Loans to investee companies past due	**4,041**	5,033

17c Liquidity Risk

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

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

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

The Company's overall liquidity risks are monitored on a quarterly basis by the Board. The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. Of the Company's assets 20.1 per cent (2018: 15.2 per cent) are in the forms of liquid cash and readily realisable securities. There are no undrawn committed borrowing facilities at either year end. The Company does not have a material amount of liabilities at the year end.

Notes to the Financial Statements (continued)

18. Capital Management

The Company's objectives when managing capital are:

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

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

The Company has no external debt; consequently all capital is represented by the value of share capital, distributable and other reserves. Total shareholder equity at 31 March 2019 was £82.02 million (2018: £86.14 million).

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

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

Advisers to the Company

Investment Adviser

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

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Solicitors

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

Stockbrokers

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

Financial Adviser

Brewin Dolphin Limited
34 Lisbon Street
Leeds
LS1 4LX

Independent Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

VCT Status Adviser

Philip Hare & Associates LLP
Suite C, First Floor
4-6 Staple Inn
Holborn
London
WC1V 7QH

Bankers

Santander UK plc
44 Merrion Street
Leeds
LS2 8JQ

Company Secretary

The City Partnership (UK) Limited
110 George Street
Edinburgh
EH2 4LH

Registered Offices of Significant Holdings

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

Business Collaborator Limited
Reading Bridge House,
George Street,
Reading, RG1 8LS

DisplayPlan Holdings Limited
Clare House,
High Street, Baldock,
Hertfordshire, SG7 6BE

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

Friska Limited
S1, Bristol & Exeter House,
Lower Approach Road,
Bristol, England, BS1 6QS

The Heritage Window Company Holdco Limited
Unit 23 Bellingham Trading Estate,
Randlesdown Road,
London, SE6 3BX

Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)
60 Chiswell Street, London,
England, EC1Y 4AG

Macro Art Holdings Limited
Eltisley Business Park,
Potton Road,
Abbotsley, St. Neots,
Cambridgeshire, PE19 6TX

Ncam Technologies Limited
8/9 Carlisle Street,
London, W1D 3BP

Sipsynergy Limited
Wessex House,
Upper Market Street, Eastleigh,
Hampshire,
England, SO50 9FD

Wakefield Acoustics (via Malvar Engineering Limited)
Flush Mills Westgate,
Heckmondwike, Wakefield,
West Yorkshire, WF16 0EN

Notice of the Annual General Meeting

No: 03134749

BRITISH SMALLER COMPANIES VCT PLC

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at 33 St James Square, London, SW1Y 4JS on 11 September 2019 at 10:30 am for the following purposes:

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

Ordinary Resolutions

(1) That the annual report and accounts for the year ended 31 March 2019 be received.

(2) That the Directors' Remuneration Report for the year ended 31 March 2019 be approved other than the part of such report containing the Directors' Remuneration Policy.

(3) That Ms H Sinclair be re-elected as a director.

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

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

(6) That the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £5,000,000, during the period commencing on the passing of this Resolution and expiring on the later of 15 months from the passing of this Resolution or the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares in the Company to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and that all previous authorities given to the directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

Special Resolutions

(7) That the directors be and are hereby empowered in accordance with Section 570(1) of the Act during the period commencing on the passing of this Resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of this Resolution, whichever is the later, (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in Resolution 7 above as if Section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the allotment for cash of equity securities up to an aggregate nominal amount of £5,000,000, but so that this authority shall allow the Company to make offers or agreements before the expiry and the directors may allot securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 560(3) of the Act (treasury shares) as if in the first paragraph of this Resolution the words "pursuant to the general authority conferred upon the directors in Resolution 7 above" were omitted.

By order of the Board

The City Partnership (UK) Limited
Company Secretary

26 June 2019

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

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

Notes:

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

> answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;

> the answer has already been given on a website in the form of an answer to a question; or

> it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

(b) To be valid, a Form of Proxy must be completed and signed and with the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at (and prior to the commencement of) the meeting at which the demand is made. If no voting indication is given in the Form of Proxy, your proxy will vote (or abstain from voting) as they think fit in relation to any matter put to the Annual General Meeting.

(c) To be valid, any Form of Proxy or other instrument appointing a proxy, must be returned by no later than 10:30 am on 9 September 2019 through any one of the following methods:

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

Link Asset Services
PXS1
34 Beckenham Road
Beckenham
BR3 4ZF;

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

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

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

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

(f) In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Asset Services before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to note (g) directly below, the proxy appointment will remain valid.

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

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

Notice of the Annual General Meeting (continued)

(i) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at close of business on 9 September 2019 or, in the event that the Annual General Meeting is adjourned, on the Register of Members at close of business on the day two days before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after close of business on 9 September 2019 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

(j) As at 26 June 2019 the Company's issued share capital comprised 141,524,864 ordinary shares of 10 pence each with a further 7,975,173 shares held in treasury. Those treasury shares represented 5.3 per cent of the total issued share capital (including treasury shares) at the aforementioned date. Each ordinary share carries one voting right at the Annual General Meeting of the Company and so the total number of voting rights in the Company as at 26 June 2019 was 141,524,864.

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

> You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;

> If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;

> Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

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

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

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

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

(p) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) not less than 48 hours (excluding weekends and public holidays) before the time of the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

British Smaller Companies VCT plc

Form of Proxy

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

I / We

being a member/members of the above named Company entitled to attend and vote at the Annual General Meeting of the Company hereby appoint the Chairman of the Annual General Meeting or (see notes (2) to (6))

of

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 11 September 2019 at 10:30 am and at any adjournment thereof.

☐ Please tick here if this proxy is one of multiple proxy appointments being made (see note 2)

My/our proxy is to vote on the resolutions as indicated below. Please indicate with an "x" how you wish your vote to be cast. If no voting indication is given, your proxy will vote or abstain from voting on the resolutions at their discretion.

	For	Against	Withheld
Ordinary Resolutions			
1. To receive the annual report and accounts	☐	☐	☐
2. To approve the Directors' Remuneration Report	☐	☐	☐
3. To re-elect Ms H Sinclair as a director	☐	☐	☐
4. To re-elect Mr R Cook as a director	☐	☐	☐
5. To re-appoint BDO LLP as auditor	☐	☐	☐
6. To authorise the directors to allot shares	☐	☐	☐
Special Resolutions			
7. To waive pre-emption rights in respect of the allotment of shares	☐	☐	☐

Signature

Dated 2019

Please refer to notes overleaf.

Please complete, sign and date, detach and return the Form of Proxy in the pre-paid envelope provided OR alternatively submit your proxy vote using the on-line facility at www.signalshares.com. You will be asked to enter your investor code, surname and postcode to be able to lodge your vote. Your investor code can be found on your share certificate or recent tax voucher.

NOTES

1. The Notice of the Annual General Meeting is set out on pages 92 to 94 of the annual report.
2. Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. Any such appointment can only be made using the procedures set out in these notes and set out in the Notice of the Annual General Meeting. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
3. If you wish to appoint a proxy of your own choice delete the words "the Chairman of the Annual General Meeting" and insert the name and address of the person whom you wish to appoint in the space provided.
4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at (and prior to the commencement of) the meeting at which the demand is made. If you would like to submit your form of proxy using the web-based voting facility go to www.signalshares.com. You will be asked to enter your investor code, surname and postcode to be able to lodge your vote. Your investor code can be found on your share certificate or recent tax voucher.
5. Any alterations to the Form of Proxy must be initialled by the person who has signed the Form of Proxy.
6. In order to revoke a proxy instruction a member will need to inform the Company by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Asset Services before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note 9 below, the proxy appointment will remain valid.
7. In the case of a company, this Form of Proxy must be executed under its common seal or signed on its behalf by its attorney or a duly authorised officer of the company.
8. In the case of joint shareholders, any one of them may sign. The vote of the person whose name stands first in the register of members will be accepted to the exclusion of the votes of the other joint holders.
9. Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
10. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion on any other matter which is put before the Annual General Meeting.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

Please complete, sign and date, detach and return the Form of Proxy in the pre-paid envelope provided.

YFM Equity Partners

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

Telephone 0113 244 1000
Email info@yfmep.com

bscfunds.com

Transforming small businesses