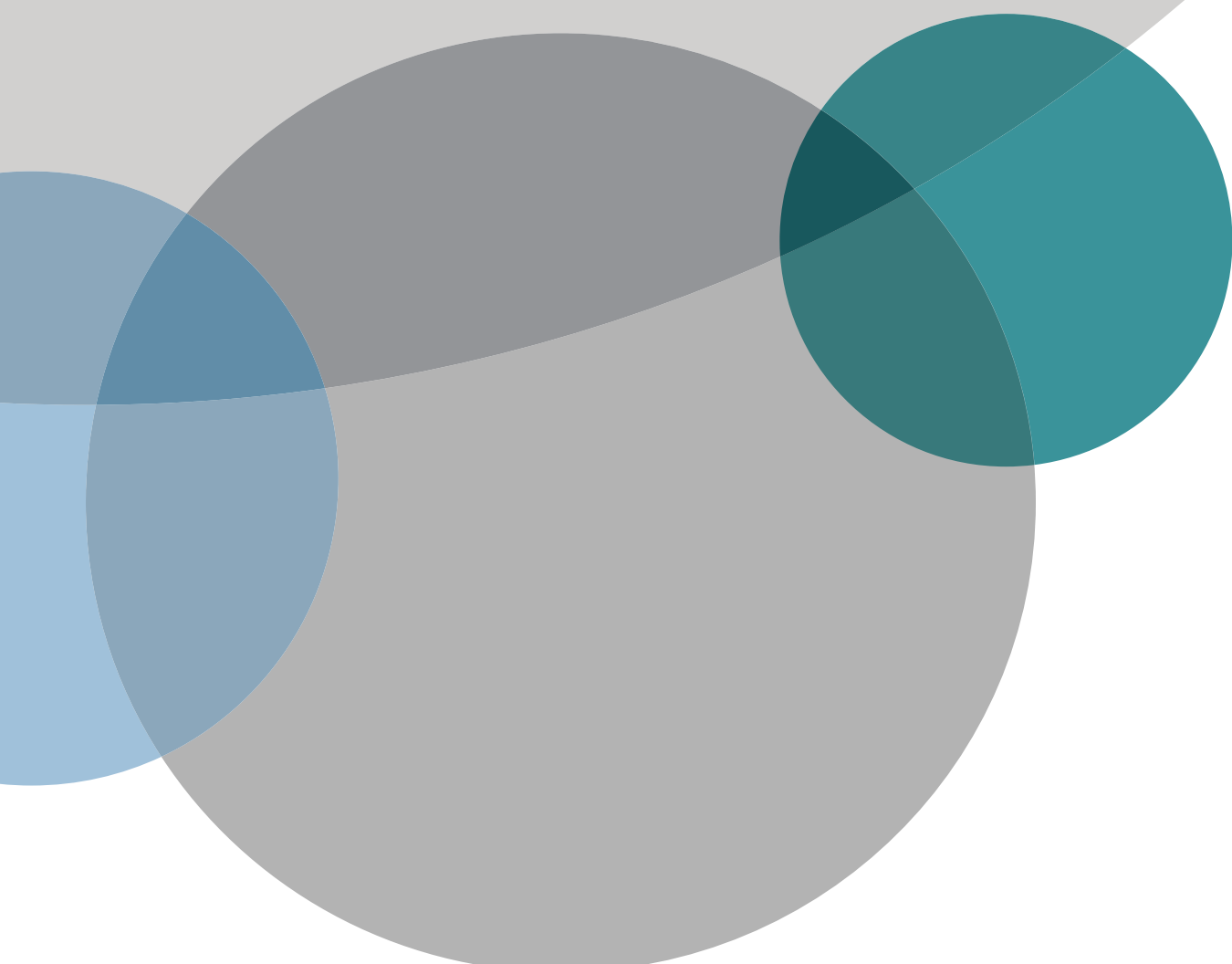




British Smaller Companies VCT plc

Annual Report

for the year ended 31 March 2020



bscfunds.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 30 companies reduces the exposure to particular markets and individual companies. The current portfolio has an audited valuation of £48.4 million as at 31 March 2020.

Registered Number:

03134749



Discover more about
British Smaller Companies VCT plc
www.bscfunds.com

BRITISH SMALLER COMPANIES VCT PLC

Transforming small businesses

Manager

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

Investment Policy

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

These investments will all meet the definition of a Qualifying Investment and be primarily in unquoted UK companies. It is anticipated that the majority of these will be high-growth businesses re-investing their profits for growth and the investments will, therefore, comprise mainly equity investments. 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, over time, of paying tax free dividends from realised investment returns. This depends upon the level of investment income and realisations that the Company is able to make or achieve in any one period and cannot be guaranteed.

The tax reliefs that are available for an investment in a 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 are normally 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 five 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. If any dividends are re-invested by qualifying shareholders they 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.

* Due to the uncertainty over the coronavirus pandemic the Company’s DRIS and buy-back policies were temporarily suspended on 20 March 2020 and subsequently reinstated on 24 June 2020.

Financial Spotlights

REALISATION PROCEEDS

£20.2m
in the year

Realisations of investments and loan repayments generated total proceeds of £20.2 million in the year, a gain of £7.9 million over the opening carrying value and £11.2 million over cost.

INVESTMENT IN PORTFOLIO

£15.0m
in the year

A total of £15.0 million was invested in the year; including £13.3 million in new investments.

DIVIDENDS FOR THE YEAR

6.0p
Total Dividends

Total dividends paid during the year ended 31 March 2020 were 6.0 pence per ordinary share. These comprised an interim dividend of 4.0 pence per ordinary share and a special interim dividend of 2.0 pence per ordinary share.

TOTAL RETURN¹

217.9p
↓ 3.8p

Decreased by 3.8 pence per ordinary share

Since 31 March 2019 your Company's Total Return has decreased by 3.8 pence, from 221.7 pence per ordinary share to 217.9 pence per ordinary share, which includes cumulative dividends paid of 153.4 pence per ordinary share.

FUNDRAISING

£21.3m
2018/19

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

1. Total Return ("TR") and Investment Growth are defined as Alternative Performance Measures. The Board considers TR to be the primary measure of shareholder value and Investment Growth to be 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 gain or loss arising from the portfolio (see page 61) 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 2020	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016
Income £000	1,517	2,299	2,339	2,813	3,365
(Loss) profit before and after taxation £000	(5,091)	6,405	3,364	4,529	10,409
Net assets attributable to ordinary shares £000	88,961	82,023	86,137	88,072	95,723
(Loss) profit per ordinary share	(3.64p)	5.88p	3.10p	4.65p	11.40p
Dividends per ordinary share paid in the year	6.0p	11.0p	5.75p	22.0p	10.0p
Net asset value per ordinary share	64.5p	74.3p	79.6p	82.3p	100.0p
Total Return per ordinary share ¹	217.9p	221.7p	216.0p	213.0p	208.7p
(Decrease) increase in Total Return per ordinary share ¹	(3.8p)	5.7p	3.0p	4.3p	11.2p
Cumulative 3 year increase in Total Return per ordinary share ¹	4.9p				
Cumulative 5 year increase in Total Return per ordinary share ¹	20.4p				

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

Financial Calendar

Results Announced	24 June 2020
Ex-dividend date	2 July 2020
Record date	3 July 2020
DRIS election date	17 July 2020
Dividend paid	31 July 2020
Annual General Meeting	10 September 2020

Your Company's Portfolio



Chairman's Statement

This Chairman's Statement is written at a time of unprecedented uncertainty. It is difficult to provide forward looking statements until the fall out from the current pandemic is clear, and we know what the general macro-economic implications are.

In the meantime, it is reassuring that the portfolio has remained relatively resilient thus far, due to good levels of funding, low gearing and strong business models, and your Company has good reserves of cash to support existing investee companies where it is in the Company's best interests to do so.

This year has been a good year for investment disposals which have delivered realised profits of £7.91 million, although as shareholders will expect, the Total Return for the year has been adversely impacted by the coronavirus pandemic which reduced valuations in the final quarter. This resulted in a Total Return of 217.9 pence per ordinary share at 31 March 2020, compared to 221.7 pence per share at 31 March 2019.

During the period under review, your Company made two significant divestments: the sale of Business Collaborator and the partial exit from Eikon, delivering returns of 4.3x and 2.2x respectively and together returning a profit over cost of £9.66 million. Over the year the portfolio's value reduced by a net £4.10 million (6.9 per cent), largely driven by a reduction of £12.72 million which occurred in the final quarter. This has also been a year with a significant activity on investment with the Company completing £14.98 million of investments of which £13.28 million were new investments and £1.70 million further investments into the portfolio.

Realisations in Year

Realisations and loan repayments generated total proceeds of £20.23 million which delivered a profit over cost of £11.24 million of which £7.91 million was realised in the year. The most significant realisations were:

The sale of the majority of the Company's investment in **Eikon Holdco Limited** in October 2019 generating proceeds of £6.31 million and a profit over cost of £4.06 million, of which £3.92 million was realised in the year.



The total return (including income) from this investment was £6.73 million, a multiple of 2.2x cost and a 62 per cent Internal Rate of Return in just 21 months. The Company retains £0.75 million in loan notes and a residual equity stake of 1.5 per cent.

The sale of the Company's investment in **Business Collaborator Limited** in March 2020 generated proceeds of £7.61 million and a profit over cost of £5.60 million, of which £3.95 million was realised in the year. The total return (including income) from this investment was £8.55 million, a multiple of 4.3x cost and an Internal Rate of Return of 33 per cent.

In addition your Company sold part of its investment in **Matillion Limited** in May 2019 generating proceeds of £2.11 million, which is the equivalent of the cost of the original investment made in 2016.

These were very pleasing outcomes and perhaps of particular note is that the returns were generated from investments that had been held for between one and seven years which points to the merits not just of portfolio diversity through scale but also across vintages.

The Company has realised the remainder of its portfolio of AIM investments and other quoted stocks with the portfolio now comprising solely unquoted investments.

Chairman's Statement (continued)

SHAREHOLDER RELATIONS

Annual General Meeting 10 September 2020

It is currently the Board's intention to hold the Company's Annual General Meeting at 9:30 am on 10 September 2020 at 33 St James Square, London, SW1Y 4JS and full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 91.

Shareholders are reminded that the ability to attend the meeting will depend on any social distancing legislation in force at the time and this may mean that shareholders are unable to attend. In this situation it would be the Board's intention to provide a dial-in facility for shareholders at the time of the AGM. The Board will keep shareholders up to date on developments through the Company's website and Stock Exchange announcements.

Currently the Company's Articles of Association provide for physical general and annual general meetings only but the Notice of the Annual General Meeting includes a resolution to allow your Company, at the Board's discretion, to hold such meetings by other means.

New Investments

This has been an active period for investments where your Company completed six new investments and four follow-on investments. The new investments were:

Investment	Sector	£m
Elucidat	E-learning software	2.10
Panintelligence	Business intelligence and analytics software	1.50
SharpCloud	Visualisation software	2.19
Tonkotsu	Ramen restaurants	2.39
Unbiased	Matching services for consumers of financial services	2.94
Wooshii	Disruptive video agency	2.16

Financial Results

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

	Pence per ordinary share
Total Return¹	
Cumulative dividends to 31 March 2019	147.4
NAV at 31 March 2019	74.3
Total Return at 31 March 2019	221.7
Net underlying movement in investment portfolio	(3.0)
Net result after expenses	(0.7)
Issue/buy-back of shares	(0.1)
Decrease in Total Return	(3.8)
Total Return at 31 March 2020	217.9p

1. Total Return is defined as an Alternative Performance Measure.

The decrease in Total Return comprised a 3.0 pence per ordinary share net reduction in the value of the investment portfolio and a 0.8 pence per ordinary share reduction from other items.

Interim dividends of 4.0 pence per ordinary share and 2.0 pence per ordinary share in respect of the year ended 31 March 2020 were paid in the period, bringing the cumulative dividends paid to 31 March 2020 to 153.4 pence per ordinary share.

The 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 2019	74.3	82,023
Net underlying movement in investment portfolio	(3.0)	(4,104)
Net result after expenses	(0.7)	(987)
Issue/buy-back of shares	(0.1)	20,377
	(3.8)	15,286
Dividends paid	(6.0)	(8,348)
	(9.8)	6,938
NAV at 31 March 2020	64.5	88,961
Cumulative dividends paid	153.4	
Total Return:	at 31 March 2020	217.9
	at 31 March 2019	221.7

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 £59.51 million at the start of the financial year, delivered a realised and unrealised net fall of £4.10 million, equivalent to a decrease in value for shareholders of 3.0 pence per ordinary share.

Within the current portfolio there were £1.58 million of valuation gains offset by £13.46 million of downward movements. Matillion was the only business to show a significant increase in value over the year. Whilst other companies in the portfolio were less impacted by the pandemic, their carrying valuations were nonetheless impacted by lower market valuation multiples. Given sharp falls in equity markets in the final quarter of the year, this resulted in reduced valuations for a large number of your Company's investments even where their operating performance was less impacted by the pandemic. The largest reductions were in those businesses in the hospitality and retail sectors (Tonkotsu, Friska and Frescobol), while Arcus Global needed additional funding and Deep-Secure was unable to maintain its previous level of growth.

Investments made since the VCT rule changes in 2015 comprised £25.83 million (53 per cent of the total value of the portfolio) as at 31 March 2020. Many of these

have technology-based business models with a high proportion of recurring annual revenue where the capital is invested in order for the business to scale and achieve critical mass. Consequently your Company's investments are largely made in equity rather than loan instruments. The newer portfolio, which has an average holding period of 1.8 years since initial investment, is currently valued at £25.83 million (versus a cost of £31.07 million) and the older portfolio, which has an average holding period of 6.5 years is now valued at £22.53 million compared to a cost of £16.83 million.

The income statement continues to reflect the impact of these new funding structures with the balance of return comprising less income and a greater proportion of capital. Income in the year was £1.52 million compared to £2.30 million in the previous year. This trend is set to continue as the proportion of new investments grows, which means that distributions are likely to be more aligned with realised gains in the future.

Dividends and Reserves

Dividends paid in the year comprise interim dividends of 4.0 and 2.0 pence per ordinary share in respect of the financial year just ended, totalling 6.0 pence per ordinary share. This takes the cumulative dividends paid to 153.4 pence per ordinary share at 31 March 2020.

Chairman's Statement (continued)

The Board is pleased to announce the payment of an interim dividend for the year ending 31 March 2021 of 2.0 pence per ordinary share. This will be paid on 31 July 2020 to shareholders on the register at 3 July 2020 and the ex-dividend date is 2 July 2020. The Board is not proposing a final dividend for the year ended 31 March 2020.

Following publication of these accounts reserves available for distribution will be £48.34 million.

Dividend Re-investment Scheme ("DRIS") and Share Buy Back Scheme

Your Company's DRIS and buyback policies were suspended in March due to the severe market disruption and the need to publish a supplementary valuation. Since then there has been more clarity over the restrictions imposed in managing the coronavirus and the Government has provided various measures of support. As a result, whilst there may still be caution over the general economic conditions which sit over the market as a whole, there has been some recovery and stability. The Board has therefore decided to reinstate both schemes effective from 24 June 2020.

For those shareholders who have opted into the DRIS, no action is required if you wish to remain in the scheme. For those wishing to opt in or opt out please visit the Company's website www.bscfunds.com.

For the financial year ended 31 March 2020 dividends totalling £1.60 million were invested in your Company by way of the DRIS.

Fundraising

The new share offer launched on 28 November 2018 with British Smaller Companies VCT2 plc closed on 11 February 2019. The related allotment of 28,769,702 new ordinary shares took place on 1 April 2019 following which your Company raised net proceeds of £21.31 million.

Liquidity

Your Company has good liquidity, with cash and readily realisable investments totalling £40.21 million (45.2 per cent of net asset value) at 31 March 2020 which means that the Company will be able to react quickly to new investment opportunities as they arise.

Shareholder Relations

Your Company has had great success with its electronic communications policy and 84 per cent of shareholders now receive communications in this way. Documents such as the annual and interim financial statements are published on the website www.bscfunds.com. This makes them available more quickly than the hard copy versions, helps to save on printing costs and is more environmentally friendly.

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

In light of the developing situation regarding the coronavirus pandemic we have postponed the Investor Workshop originally scheduled for 19 May 2020 until later in the year or in 2021, when it is safe to have large gatherings. We will, of course, issue an invitation to all shareholders at the appropriate time.

Board Evolution

Following Edward Buchan's retirement from the Board, two new directors were appointed with the help of a recruitment service. Adam Bastin, who has considerable experience in technology investing, joined the Board on 11 September 2019. On 1 October 2019 Jonathan Cartwright also joined the Board and he has taken up the role of Chairman of the Audit Committee, a post to which he brings considerable expertise. Jonathan has served on the boards of a number of VCTs and investment trusts and has held a number of senior roles in both public and private companies.

Regulatory Developments

Following continuous dialogue with HMRC the VCT industry now has greater clarification around the operation of the new VCT rules introduced in 2015. As a result the majority of investments are now made on the basis of self-assuring their qualifying status, subject to the receipt of professional advice from our Tax Adviser.

This has had a positive impact on investment levels, with new investments of £13.28 million in the year ended 31 March 2020, compared to £4.92 million in the previous year.

Outlook

The coronavirus pandemic has caused untold disruption to corporate activity and consumer behaviour and despite significant levels of government intervention and support it is a massive shock to the global economy. As the lockdown is beginning to ease economic activity is increasing albeit the short term macro-economic outlook is dominated with uncertainty over how the virus will spread under new social distancing guidelines and the damage to companies which has already been caused.

Some of our investments have been less impacted by this economic disruption and many are already well funded with to date only a small need for additional funding and with good liquidity. Your Company is well placed to both support the existing portfolio as well as being able to deploy capital to take advantage of new opportunities.

The past year has seen an increased level of new investment and your Company continues to review new investment opportunities, suggesting that there is currently good demand for growth capital which may well increase as the Government's intervention measures are withdrawn.

The Board wishes to thank existing and new shareholders for making a success of the joint fundraising with British Smaller Companies VCT2 plc which has given your Company the resources to continue building the portfolio and deliver shareholder value.



Helen Sinclair
Chairman

24 June 2020

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

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

The Company seeks to build a diversified portfolio in order to reduce concentration as well as ensuring compliance with the VCT guidelines in this regard.

Borrowing

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

Co-investment

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

Asset mix

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

Remuneration Policy

The Company's policy on the remuneration of its directors, all of whom being non-executive directors, can be found on page 51.

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 37.

Processes and Operations

The Manager 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. Post investment the Manager intensively works with the businesses and management teams in which the Company is invested – monitoring progress, effecting change and where applicable redefining strategies with a view to maximising value through structured exit processes.

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

The Board regularly monitors the performance of the portfolio and the investment requirements set by the relevant VCT legislation. Reports are received from the Manager regarding the trading and financial position of each investee company and senior members of the Manager's 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 Manager on a regular basis.

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

Performance Incentive

At a general meeting of the Company on 7 January 2019 revisions to the Incentive Agreement between the Company and the Manager were approved by shareholders. The major revisions, effective from 7 January 2019 were:

- > the incentive fee will be subject to achieving a target level of Total Return;
- > 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, which was 4.0 pence per ordinary share (increasing in line with RPI); 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 as set out above.

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 2020 the requirement is 5.4 pence per ordinary share.

Processes and Operations (continued)

The total dividends paid in the year were 6.0 pence per ordinary share and the Total Return hurdle for the year ended 31 March 2020 was 239.3 pence per ordinary share while the Total Return at 31 March 2020 was 217.9 pence per ordinary share, a shortfall of 21.4 pence per ordinary share. As a result, the Manager has not met the targets for the year under review and no incentive fee has accrued to the Manager (31 March 2019: £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 Manager is in the interests of the shareholders as a whole in view of its experience in managing venture capital trusts and in making, managing and exiting investments of the kind falling within the Company's investment policies.

Administration of the Listed Investment Funds Portfolio

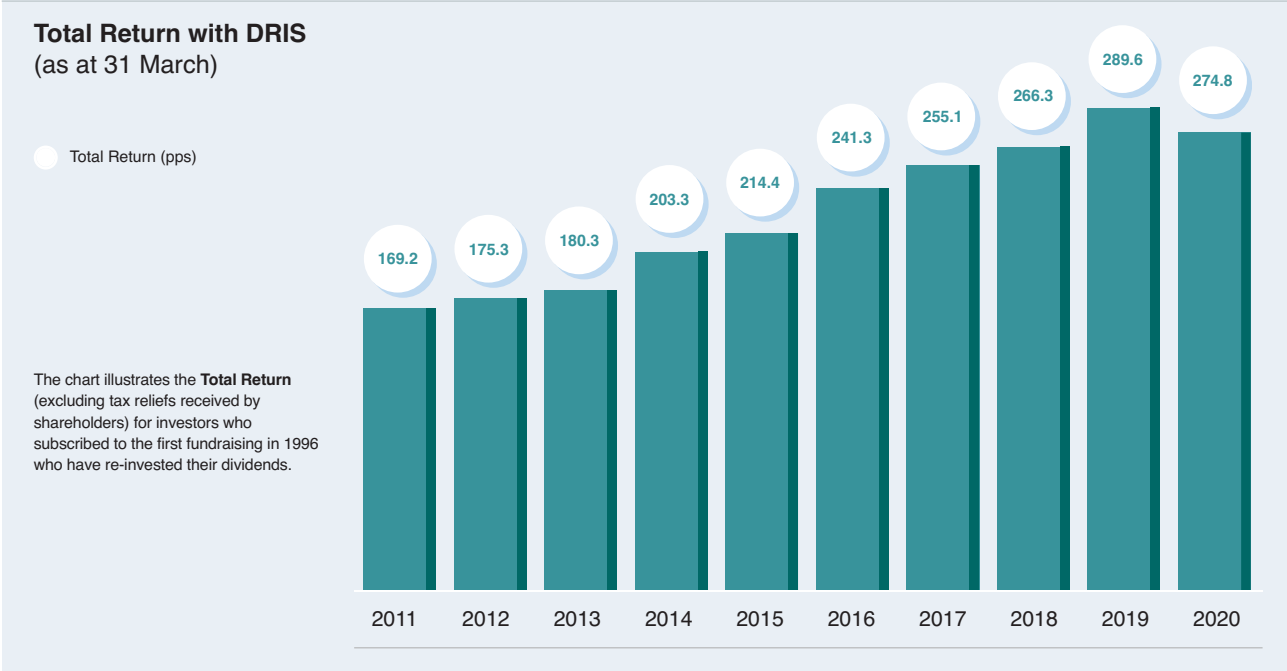
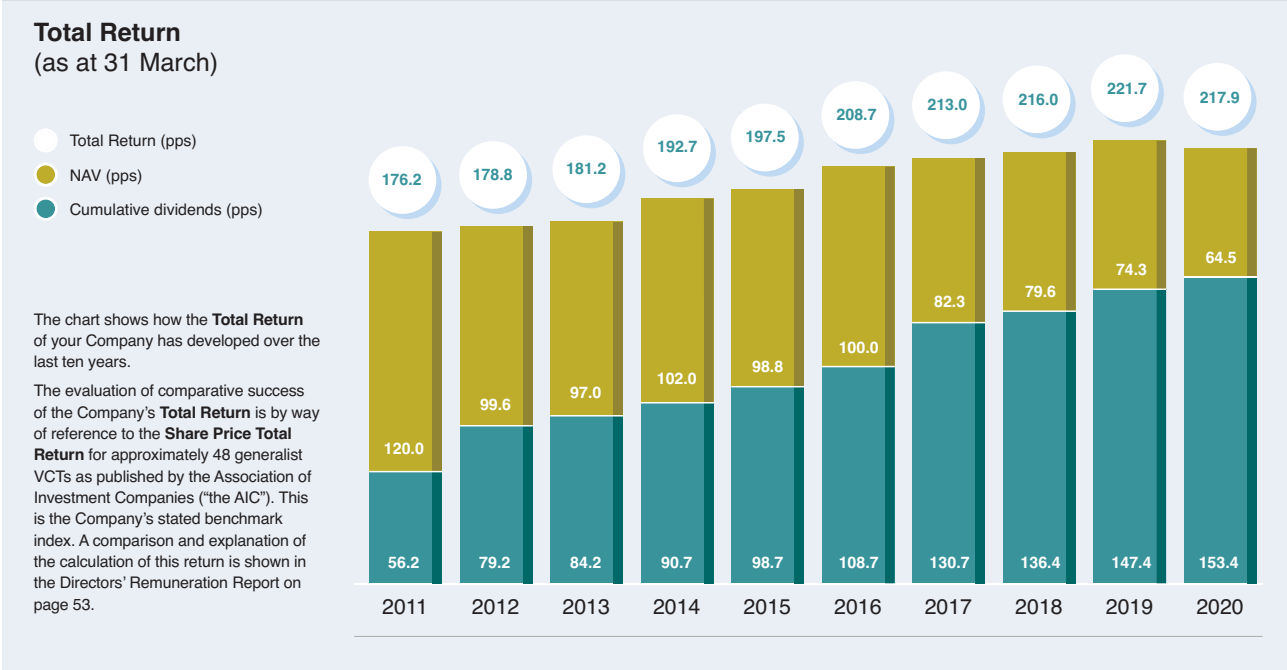
Reporting to the Manager, this portfolio is managed by Brewin Dolphin Limited on a discretionary basis. The Board receives regular reports on the make-up and market valuation of this portfolio.

Administration of the Money Market Funds

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

Key Performance Indicators

Total 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.



Key Performance Indicators (continued)

Shareholder Returns

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

Year of issue	NAV at 31 March 2020 Pence	Cumulative dividends paid since fundraising Pence	Total Return to date ¹ Pence	Offer price ² Pence	IRR ³ %
1996	64.5	153.4	217.9	100.0	4.7%
1997	64.5	150.4	214.9	100.0	4.9%
1998	64.5	146.7	211.2	105.0	4.6%
2005 (C share) ⁴	72.6	133.7	206.3	100.0	6.7%
2006	64.5	123.0	187.5	99.5	7.1%
2007	64.5	118.5	183.0	102.5	7.0%
2008	64.5	113.5	178.0	106.3	6.7%
2010	64.5	103.5	168.0	97.3	9.0%
2011	64.5	97.2	161.7	128.0	4.1%
2012	64.5	74.2	138.7	99.8	5.8%
2013	64.5	69.2	133.7	95.8	6.8%
2014	64.5	62.7	127.2	100.8	5.5%
2015	64.5	54.7	119.2	99.5	5.1%
2016	64.5	44.7	109.2	102.3	2.2%
2017	64.5	22.7	87.2	84.6	1.2%
2019	64.5	6.0	70.5	76.0	-

Notes

- Total Return to date is cumulative dividends paid plus the 31 March 2020 net asset value in pence per ordinary share.
- The offer price for the relevant year excluding the benefit of income tax relief available to investors at the time of the offer.
- 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 2020 net asset value per ordinary share. This excludes the benefit of any initial tax relief.
- 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 costs of the recurring operational expenses expressed as a percentage of the average net asset value. Whilst based on historical information this provides an indication of the likely level of costs that will be incurred in managing the Company in the future.

	Year to 31 March 2020 (%)	Year to 31 March 2019 (%)
Ongoing Charges figure	2.16	2.54

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

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 72. 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 Manager. In addition the Board receives formal reports from its VCT Status Adviser twice a year. The Board can confirm that during the period all of the VCT legislative tests have been met.

Under Chapter 3 Part 6 of the Income Tax Act 2007, in addition to the requirement for a VCT's ordinary share capital to be listed in the Official List on a European regulated market throughout the period, there are 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, at any time in the period, not represented more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and 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 £9.78 million remains undistributable by the Company until on or after 1 April 2020 (see page 64).

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.

Where possible the Company self-assures that an investment is a qualifying investment, subject to the receipt of professional advice.

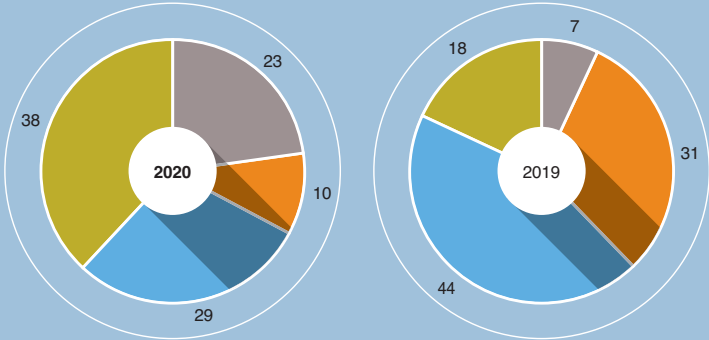
Portfolio Structure and Diversity

Portfolio Structure

This illustrates the broad range of the portfolio with 67 per cent of the portfolio valuation being held for more than 3 years, whilst 65 per cent is held at cost or above. 33 per cent of the portfolio's value is held in income generating financial instruments, although loans now account for only 17 per cent of the value.

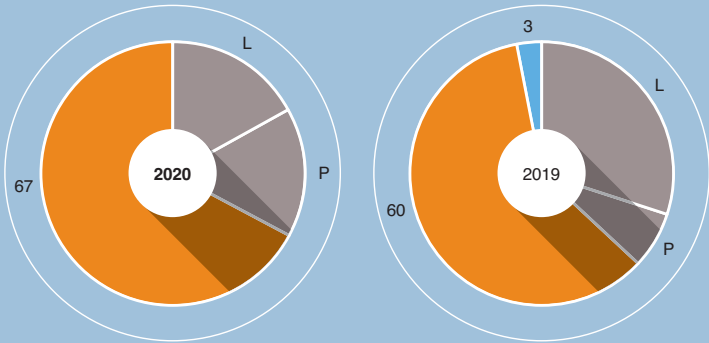
AGE OF INVESTMENTS (%)

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



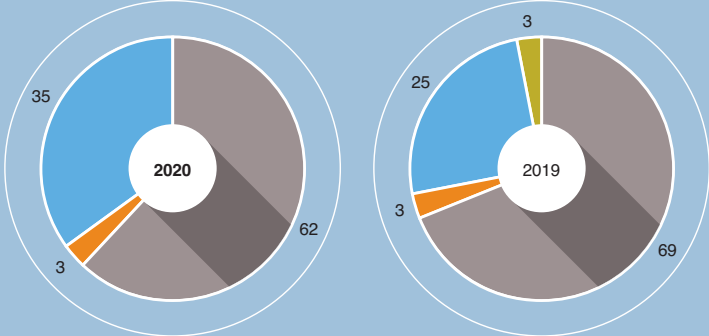
INVESTMENT INSTRUMENT (%)

- L Loan
 - P Preference shares
 - Ordinary shares
 - Quoted companies
- 2020 - 33%
2019 - 37%



VALUE COMPARED TO COST (%)

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



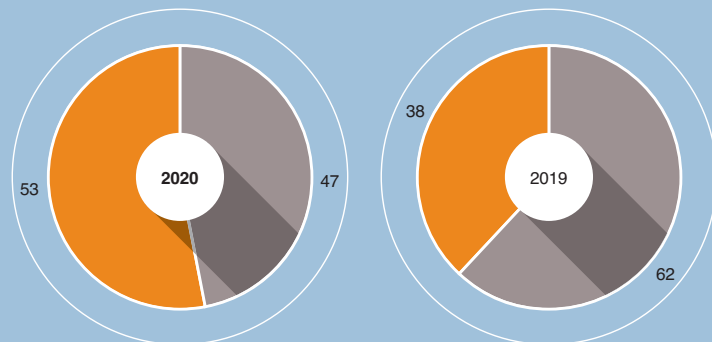
Portfolio Structure and Diversity (continued)

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.

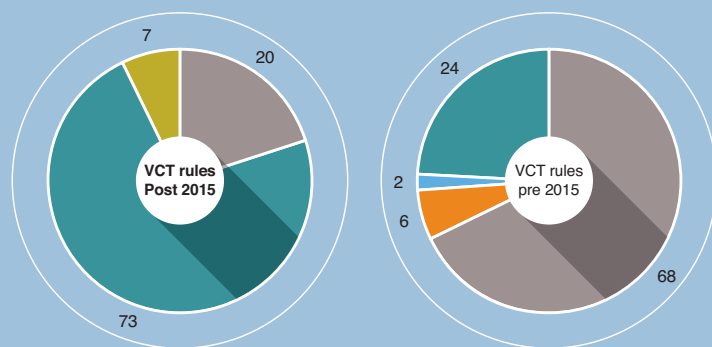
VCT RULES (%)

- Investments made prior to rule change in 2015
- Investments made following rule change in 2015



INDUSTRY SECTOR (%)

- Business Services
- Manufacturing and Industrial
- Healthcare
- Software, IT and Telecommunications
- Retail and Brands



Investment Review

Proceeds from realising investments totalled £20.23 million delivering a profit over cost of £11.24 million of which £7.91 million was recognised in the year. £14.98 million was invested in the portfolio, but the year-end valuations bore the impact of the emerging coronavirus pandemic.

Disposal of Investments

During the year to 31 March 2020 the Company received proceeds from disposals, repayments of loans/preference shares and deferred consideration of £20.23 million. The total value gain on disposal of investments was £7.91 million above the 31 March 2019 valuations as set out in Table A below. This included the very successful realisations of Eikon and Business

Collaborator which delivered exit multiples on original cost of 2.2x and 4.3x respectively and, including income, produced combined realised gains of £11.02 million.

The realisation of Eikon produced capital proceeds of £6.31 million against a pro-rata cost of investment of £2.25 million delivering a realised gain of £4.06 million of which £3.92 million was recognised in the year. The investment in Eikon was held at a valuation of £2.39 million at the beginning of the financial year and £5.75 million at 30 September 2019 following the offer for your Company's investment.

The realisation of Business Collaborator produced capital proceeds of £7.61 million against cost of £2.01 million delivering a realised gain of £5.60 million of which £3.95 million was recognised in the year. The investment in Business Collaborator was held at a valuation of £3.66 million at the beginning of the financial year and £4.27 million at 30 September 2019.

The case study on page 24 gives some insight into the value created from the investment in Business Collaborator Limited.

Table A
Disposal of Investments

	Net proceeds from sale of investments £million	Opening value 31 March 2019 £million	Gain on opening value £million
Unquoted investments	18.05	10.17	7.88
Quoted investments	1.69	1.68	0.01
Sale of portfolio investments	19.74	11.85	7.89
Deferred proceeds received	0.49	0.47	0.02
Total investment disposals	20.23	12.32	7.91

The quoted portfolio delivered proceeds of £1.69 million with a profit on cost of £0.71 million.

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

Investment Review (continued)

Your Portfolio

£48.4 million	16	£1.3 million	£15.0 million
Fair value of the portfolio	Number of portfolio companies with value of £1.0 million or more	Income from the portfolio	Level of investment
(2019: £57.0 million)	(2019: 17)	(2019: £2.1 million)	(2019: £5.7 million)

Investments

During the year ended 31 March 2020 the Company completed 10 investments totalling £14.98 million comprising six new investments of £13.28 million and four follow-on investments of £1.70 million.

The analysis of these investments is shown in Table B below. The case study on page 25 gives more information on the investment into Unbiased EC1 Limited.

Table B
Investments

Date	Company	Investments made £million		Total
		New	Follow-on	
May-19	Elucidat Ltd	2.10	-	2.10
May-19	Wooshii Limited	2.16	-	2.16
May-19	Arcus Global Limited	-	1.12	1.12
Jun-19	Tonkotsu Limited	2.39	-	2.39
Oct-19	SharpCloud Software Limited	2.19	-	2.19
Oct-19/Feb-20	Ncam Technologies Limited	-	0.22	0.22
Nov-19	Panintelligence (via Paninsight Limited)	1.50	-	1.50
Dec-19	Unbiased EC1 Limited	2.94	-	2.94
Dec-19	Traveltek Group Holdings Limited	-	0.06	0.06
Feb-20	Friska Limited	-	0.30	0.30
	Invested in the year	13.28	1.70	14.98
	Capitalised income			0.09
	Total additions in the year			15.07

Up until 31 December 2019 the portfolio had delivered a strong performance, with an increase in value of £8.62 million of which £3.96 million had been realised in the year. However, in the final quarter of the year the coronavirus pandemic caused some benchmark equity indices to fall by as much as 29 per cent, which led to substantial value reductions in some portfolio companies through lower sales multiples or PE ratios in addition to specific one-off impacts.

The net result of this was a decrease in value over the year of £4.10 million as set out in Table C below.

The investments in the leisure, retail and hospitality sectors showed the biggest reductions. The casual dining and food-to-go businesses, Tonkotsu and Friska, have seen the largest reductions, with Frescobol suffering from a large fall in sales in its retail markets. Biz2Mobile's valuation has fallen as a result of lower revenue growth. It is a similar situation at Deep-Secure, although momentum has now started to return. Arcus saw a major refinancing in the year which led to a reduction in the value of the initial investment. Positively, ACC Aviation saw only a modest fall in its valuation, partly due to its high level of cash.

In the year a gain of £7.89 million arose from the realisation of portfolio investments, including £7.87 million from the disposal of Business Collaborator and the partial disposal of Eikon.

Table C
Investment Portfolio

	£million
Portfolio value loss	(11.88)
Gain on disposal over opening value (see Table A)	7.89
	(3.99)
Gain from deferred proceeds	0.02
Total portfolio loss	(3.97)
Loss in value of other investments	(0.13)
Total investment portfolio loss	(4.10)

Portfolio Composition

As at 31 March 2020 the portfolio had a value of £48.36 million. An analysis of the movements in the year is shown on page 27.

The portfolio remains well diversified, comprising a total of 30 investments of which 16 have a value equal to or greater than £1.0 million (31 March 2019: 17), with the single largest investment representing 8.5 per cent of the net asset value.

There is also diversification across sectors. Software, IT and Communications comprise 50 per cent (including software products and SaaS of 24 per cent); Business Services comprise 42 per cent (including travel of 8 per cent); Retail and Brands comprise 4 per cent and Manufacturing and Industrial comprise 3 per cent.

The immediate impact on the retail businesses, Tonkotsu, Friska and Frescobol has been the most significant with all three closing for a period. Tonkotsu and Friska are both involved in food retailing and have opened takeaway services and as restrictions on movement are gradually lifted they will begin to rebuild their trades. Frescobol as a clothing retailer has both wholesale and on-line channels on which it can build future growth.

The most significant business by value in the travel sector is ACC Aviation, which whilst impacted has no leverage and significant cash reserves that are not being denuded. Unlike airline operators who carry significant asset exposure, ACC is a specialist advisor / broker and makes money by solving complex problems for the operators, as created by lockdown, changing flight patterns and restructuring of aircraft fleets.

The Company's liquidity makes it well placed to meet the funding requirements of the portfolio; although since the year end these needs have been minimal with £0.13 million invested to date.

The charts on pages 17 and 18 of these financial statements show the composition of the portfolio as at 31 March 2020 by industry sector, age of investment, investment instrument and the valuation compared to cost.

As at 31 March 2020 62 per cent (2019: 72 per cent) of the portfolio was held at a value above cost; 3 per cent (2019: 3 per cent) was held at cost and 35 per cent (2019: 25 per cent) below cost.

At 31 March 2020 the portfolio was valued at £48.36 million, representing 54.4 per cent of net assets (69.5 per cent at 31 March 2019).

Investment Review (continued)

Cash (including fixed term deposits) and other investments (listed investment funds and money market funds detailed below) at 31 March 2020 totalled £40.21 million representing 45.2 per cent of net assets (28.6 per cent at 31 March 2019).

Under the revised VCT legislation it is no longer possible to deposit funds for longer than seven days which means that cash deposits must be held effectively in instant access accounts and there seems little prospect of this rule being relaxed. 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 2019 the Board decided to invest in a small portfolio of listed investment funds and a further £2.43 million was invested in the year to 31 March 2020. At 31 March 2020 this portfolio was valued at £4.79 million, or 5.4 per cent of net assets (3.0 per cent at 31 March 2019). In addition, the Company has also invested £2.50 million into Goldman Sachs' GS Sterling Liquid Reserves Fund and at 31 March 2020 this portfolio was valued at £2.50 million, or 2.8 per cent of net assets.

Valuation Policy

Unquoted investments are valued in accordance with the valuation policy set out in note 1 on pages 67 and 68, which takes account of current industry guidelines for the valuation of venture capital portfolios. The December 2018 update to the IPEVC Guidelines discourages the use of cost or price of a recent investment as a primary basis for valuation. As a result our policy is to use the recent round basis for the first quarter date immediately following the round, but then switch to a new primary basis for all subsequent periods. This change has in fact had little impact on the portfolio's valuation as we have calibrated the valuation basis used to the recent investment round. We would only expect significant adjustments to recent investment values where an investment is significantly under- or over-performing. In addition to the December 2018 update of the Guidelines, the Company has followed the IPEVC's Special Valuation Guidance issued in March 2020 in response to the impact of the coronavirus pandemic.

As at 31 March 2020 the value of investments falling into each valuation category is shown in Table D below.

Table D
Valuation Policy

	2020	2019
	Valuation £million	% of portfolio by value
Sales multiple	25.97	54
Earnings multiple	19.95	41
Net assets, reviewed for change in fair value	2.16	5
Cost or price of recent investment, reviewed for change in fair value	0.17	-
Discounted cash flows from investment	0.11	-
Quoted investments at bid price	-	-
Total	48.36	100.0

Regulatory Changes

As noted by the Chairman above, the VCT industry is now more comfortable self-assuring new investments, subject to professional advice, and we believe that the ability to do this has had a positive impact on the level of investment in the year.

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 Manager are increasingly mindful of the impact, both positive and negative, that our activities and those of the businesses in the portfolio have not just on the environment, but also their employees, communities and society at large.

Your 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 its activities and help its portfolio companies do the same.

This has resulted in your Company along with the Manager 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 Manager 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

Many businesses in the portfolio have, along with the rest of the country, had to quickly adapt to changing trading conditions, which they have done including adapting products, accelerating product development and launching new services. This flexible and innovative approach is to be encouraged and supported. We have continued to invest in our team, with five new recruits in the past 12 months, three of whom commenced post lockdown on 23 March 2020.

Last year's investment level was the highest since the new rules came into force and whilst the first quarter of the new financial year has undoubtedly produced more challenging logistics we and the potential pipeline of new opportunities have adapted. It is possible that as the year unfolds there are likely to be increased funding needs for many UK businesses and your Company has the resources to take advantage of the investment opportunities as they arise.



David Hall
YFM Private Equity Limited

24 June 2020

Case studies

Business Collaborator



AMOUNT INVESTED BY THE COMPANY

£2.01 million

THE BUSINESS AT INVESTMENT

An established provider of collaboration software for the construction industry

THE INVESTMENT

MBO from a large corporate

RATIONALE FOR THE DEAL

Increasing demand for collaboration software in the construction industry

THE BUSINESS AT EXIT

Leading position in the Building Information Management (BIM) market

EXIT

Delivered proceeds of £8.55m over the life of the investment, a return of 4.3x cost



Unbiased EC1



AMOUNT INVESTED BY THE COMPANY

£2.95 million

THE BUSINESS AT INVESTMENT

Market leading positions in the IFA and mortgage broker sectors

THE INVESTMENT

Growth capital for product development and launching into new sectors

RATIONALE FOR THE DEAL

Increasing advice needs of consumers

SINCE INVESTMENT

Increased marketing investment and revenue growth

Summary



Portfolio Summary

at 31 March 2020

Page No	Name of company	Date of initial investment	Location	Industry Sector	Current cost £000	Valuation at 31 March 2020 £000	Proceeds to date £000	Realised & unrealised value to date* £000
28	ACC Aviation Group Limited	Nov-14	Reigate	Business Services	220	7,521	1,848	9,369
29	Matillion Limited	Nov-16	Manchester	Software, IT & Telecommunications	2,046	7,015	2,105	9,120
29	Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	May-14	Alloa	Business Services	2,934	4,066	-	4,066
29	Unbiased EC1 Limited	Dec-19	London	Business Services	2,946	3,033	-	3,033
30	Deep-Secure Ltd	Dec-09	Malvern	Software, IT & Telecommunications	1,000	2,599	-	2,599
30	KeTech Enterprises Limited	Nov-15	Nottingham	Software, IT & Telecommunications	1,500	2,197	500	2,697
30	Elucidat Ltd	May-19	Brighton	Software, IT & Telecommunications	2,100	2,148	-	2,148
31	Wooshii Limited	May-19	London	Business Services	2,160	2,065	-	2,065
31	Springboard Research Holdings Limited	Oct-14	Milton Keynes	Business Services	2,824	1,877	-	1,877
31	Arcus Global Limited	May-18	Cambridge	Software, IT & Telecommunications	2,925	1,662	-	1,662
32	Ncam Technologies Limited	Mar-18	London	Software, IT & Telecommunications	2,120	1,610	-	1,610
32	SharpCloud Software Limited	Oct-19	London	Software, IT & Telecommunications	2,190	1,539	-	1,539
	Panintelligence (via Paninsight Limited)	Nov-19	Leeds	Software, IT & Telecommunications	1,500	1,500	-	1,500
	Sipsynergy (via Hosted Network Services Limited)	Jun-16	Eastleigh	Software, IT & Telecommunications	1,770	1,319	-	1,319
	DisplayPlan Holdings Limited	Jan-12	Baldock	Business Services	130	1,175	1,521	2,696
	Tonkotsu Limited	Jun-19	London	Retail & Brands	2,388	1,105	-	1,105
	Traveltek Group Holdings Limited	Oct-16	East Kilbride	Software, IT & Telecommunications	1,716	870	-	870
	Friska Limited	Jul-17	Bristol	Retail & Brands	2,100	798	-	798
	Other investments £0.75 million and below				13,328	4,259	9,795	14,054
	Total investments				47,897	48,358	15,769	64,127
	Full disposals since 31 March 2002				48,240	-	102,296	102,296
	Full disposals prior to 31 March 2002				5,748	-	1,899	1,899
	Total portfolio				101,885	48,358	119,964	168,322

* represents proceeds received to date plus the unrealised valuation at 31 March 2020.

Summary of Portfolio Movement

since 31 March 2019

Name of Company	Investment Valuation at 31 March 2019 £000	Disposal proceeds £000	Additions including capitalised income £000	Valuation gains including profits / (losses) on disposal £000	Investment valuation at 31 March 2020 £000
Unquoted portfolio					
Eikon Holdco Limited	3,142	(6,314)	-	3,731	559
Matillion Limited	8,233	(2,105)	-	887	7,015
Traveltek Group Holdings Limited	415	-	57	398	870
Unbiased EC1 Limited	-	-	2,946	87	3,033
Elucidat Ltd	-	-	2,100	48	2,148
Panintelligence (via Paninsight Limited)	-	-	1,500	-	1,500
Ncam Technologies Limited	1,479	-	218	(87)	1,610
Wooshii Limited	-	-	2,160	(95)	2,065
Sipsynergy (via Hosted Network Services Limited)	1,504	-	-	(185)	1,319
Other investments £0.75 million and below	225	-	-	(225)	-
Biz2Mobile Limited	1,060	-	-	(451)	609
SharpCloud Software Limited	-	-	2,190	(651)	1,539
Arcus Global Limited	1,691	-	1,125	(1,154)	1,662
Friska Limited	1,743	-	300	(1,245)	798
Tonkotsu Limited	-	-	2,388	(1,283)	1,105
Frescobol Carioca Limited	1,800	-	-	(1,800)	-
Investments made after November 2015	21,292	(8,419)	14,984	(2,025)	25,832
Business Collaborator Limited	3,662	(7,611)	-	3,949	-
DisplayPlan Holdings Limited	1,136	-	-	39	1,175
Leengate Holdings Limited	1,936	(1,936)	-	-	-
KeTech Enterprises Limited	2,231	-	-	(34)	2,197
Springboard Research Holdings Limited	2,162	-	89	(374)	1,877
RMS Group Holdings Limited	823	-	-	(393)	430
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	4,531	-	-	(465)	4,066
ACC Aviation Group Limited	8,160	-	-	(639)	7,521
Wakefield Acoustics (via Malvar Engineering Limited)	1,160	-	-	(940)	220
Other investments £0.75 million and below	4,031	(88)	-	(1,502)	2,441
Deep-Secure Ltd	4,217	-	-	(1,618)	2,599
Investments made prior to November 2015	34,049	(9,635)	89	(1,977)	22,526
Total unquoted investments	55,341	(18,054)	15,073	(4,002)	48,358
Total quoted investments	1,678	(1,690)	-	12	-
Total investments	57,019	(19,744)	15,073	(3,990)	48,358

Investee Company Information



Software, IT and Telecommunications



Business Services



Retail and Brands



Manufacturing and Industrial Services



Healthcare

Software, IT and Telecommunications	Business Services	Retail and Brands	Manufacturing and Industrial Services	Healthcare
<p>Fair Value £24.2m 2019: £28.5m</p>	<p>Fair Value £20.3m 2019: £18.0m</p>	<p>Fair Value £1.9m 2019: £3.8m</p>	<p>Fair Value £1.5m 2019: £5.7m</p>	<p>Fair Value £0.5m 2019: £1.0m</p>
<p>Number of companies* 17 2019: 16</p>	<p>Number of companies* 9 2019: 8</p>	<p>Number of companies* 3 2019: 2.5**</p>	<p>Number of companies* 5 2019: 7.5**</p>	<p>Number of companies* 1 2019: 3</p>

* Includes 5 investment companies

** One company was represented in two industry types

Portfolio

This section describes the business of the top 12 companies in the portfolio in order of valuation at 31 March 2020.

ACC Aviation Group Limited Reigate

ACC Aviation is the market leader in airline-to-airline “wet lease” brokerage and other associated services. The company serves clients around the world in all aspects of aircraft charter, leasing, interiors and aviation support.

www.accaviation.com

Cost:	£220,000
Valuation:	£7,521,000
Date of initial investment:	November 2014
Equity held:	27.0%
Valuation basis:	Earnings multiple
Interest:	£nil (2019 £7,272)



Year ended 31 December	2018* £million	2017 £million
Sales	130.71	93.05
EBITA	9.25	3.63
Profit before tax	7.92	2.14
Retained profits	1.09	0.17
Net assets	17.65	3.21

* Internal accounts disclosed as the new holding company was not required to produce consolidated accounts for the full year



Matillion Limited
Manchester



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

Cost: £2,046,000
Valuation: £7,015,000
Date of initial investment: November 2016
Equity held: 5.0%
Valuation basis: Sales multiple

www.matillion.com



Year ended 31 December	2018 £million	2017 £million
Sales	6.50	3.04
LBITA	(4.75)	(1.70)
Loss before tax	(4.17)	(1.65)
Retained losses	(7.52)	(3.27)
Net assets	10.20	0.45

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



Intelligent Office UK is a leading provider of support services to the legal sector. The company has more than 900 employees in over 60 client sites across the UK, as well as four onshore shared services centres.

Cost: £2,934,000
Valuation: £4,066,000
Date of initial investment: May 2014
Equity held: 26.7%
Valuation basis: Earnings multiple
Interest: £59,135
(2019 £58,973)
Dividends: £91,591
(2019 £124,455)

www.intelligentofficeuk.com



Year ended 30 September	2019 £million	2018 £million
Sales	30.00	26.72
EBITA	1.47	1.13
Loss before tax	(0.50)	(1.16)
Retained losses	(3.93)	(3.15)
Net assets	1.56	2.38

Unbiased EC1 Limited
London



Unbiased is a technology-enabled marketplace that connects consumers to Independent Financial Advisers, Mortgage Brokers and Accountants. The company has a strong, well-established position and brand awareness in the IFA market with a high level of recurring subscription income from the thousands of professionals in their network.

Cost: £2,946,000
Valuation: £3,033,000
Date of initial investment: December 2019
Equity held: 15.9%
Valuation basis: Sales multiple

www.unbiased.co.uk



Year ended 30 September	2019 £million	2018 £million
Sales	4.00	3.34
EBITA	0.20	0.48
Profit before tax	0.06	0.44
Retained losses	0.23	1.03
Net assets	0.23	1.03

Accounts for the trading company Unbiased Limited are shown.

Deep-Secure Ltd

Malvern



Deep-Secure provides market-leading Content Threat Removal (CTR) technology which provides true protection against all known and unknown document-based malware via strong underlying technology owned entirely by the company.

www.deep-secure.com

Cost:	£1,000,000
Valuation:	£2,599,000
Date of initial investment:	December 2009
Equity held:	16.0%
Valuation basis:	Sales multiple
Interest:	£108,296 (2019 £108,000)

Year ended 31 December	2019 £million	2018 £million
Sales	4.87	5.81
EBITA (LBITA)	0.20	(0.46)
Loss before tax	(1.39)	(1.96)
Retained losses	(6.24)	(4.98)
Net liabilities	(5.83)	(4.57)

**KeTech Enterprises Limited**

Nottingham



KeTech produces dynamic, real-time information systems for transport operators and passengers via a range of products including train safety and passenger information systems. Clients include mainline train operators and London Underground.

www.ketech.com

Cost:	£1,500,000
Valuation:	£2,197,000
Date of initial investment:	November 2015
Equity held:	15.9%
Valuation basis:	Earnings multiple
Interest:	£80,104 (2019 £96,597)
Dividends:	£48,432 (2019 £48,300)

Year ended 31 August	2019 £million	2018 £million
Sales	6.01	5.82
EBITA	1.06	1.09
Profit before tax	0.82	0.81
Retained profits	0.83	0.15
Net assets	0.92	0.24

**Elucidat Ltd**

Brighton



Elucidat provides a cloud based programme which allows businesses to write e-learning software for employees. The company has impressive customer retention and a client list including Tesco, Target and Walmart. It has recently opened an office in North Carolina.

www.elucidat.com

Cost:	£2,100,000
Valuation:	£2,148,000
Date of initial investment:	May 2019
Equity held:	12.2%
Valuation basis:	Sales multiple

Year ended 31 May	2019* £million	2018* £million
Sales	2.08	1.68
(LBITA) EBITA	(0.08)	0.19
(Loss) profit before tax	(0.84)	0.19
Retained assets	-	0.01
Net assets	3.53	0.08

* Unaudited



Wooshii Limited

London

Wooshii is a video production agency using technology to manage a global network of creative professionals. The company offers clients the convenience and quality of a traditional video marketing agency and has an impressive client list including Coca Cola, Microsoft and Booking.com.

www.wooshiivideoagency.com



Cost:	£2,160,000
Valuation:	£2,065,000
Date of initial investment:	May 2019
Equity held:	12.0%
Valuation basis:	Sales multiple
Dividends:	£84,950

Year ended 31 March	2019* £million	2018* £million
Sales	1.49	1.45
LBITA	(0.42)	(0.13)
Loss before tax	(0.42)	(0.13)
Retained losses	(1.69)	(1.32)
Net liabilities	(0.14)	0.16

* Unaudited

Springboard Research Holdings Limited

Milton Keynes

Springboard Research is a specialist provider of footfall and other performance data for the retail industry. 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 in North America following the opening of their office in San Diego.

www.spring-board.info



Cost:	£2,824,000
Valuation:	£1,877,000
Date of initial investment:	October 2014
Equity held:	19.5%
Valuation basis:	Earnings multiple
Interest:	£125,695 (2019 £125,352)
Dividends:	£88,947 (2019 £88,704)

Year ended 31 December	2018 £million	2017 £million
Sales	5.35	5.03
EBITA	0.34	0.51
Loss before tax	(0.81)	(0.58)
Retained losses	(2.82)	(2.14)
Net assets	0.31	0.99

Arcus Global Limited

Cambridge

Arcus is a provider of cloud-based software solutions to the public sector, delivering efficiency gains to front line services. The company enables customers to transform end-to-end service delivery in key areas such as digital transactions, planning, building control, regulatory services and waste management.

www.arcusglobal.com



Cost:	£2,925,000
Valuation:	£1,662,000
Date of initial investment:	May 2018
Equity held:	21.1%
Valuation basis:	Sales multiple

Year ended 30 June	2019 £million	2018 £million
Sales	8.62	12.96
LBITA	(1.45)	(0.21)
Loss before tax	(2.67)	(1.28)
Retained losses	(7.79)	(5.60)
Net liabilities	(1.36)	(1.57)

Ncam Technologies Limited

London

Ncam develops augmented reality technology for the entertainment industry. The company provides a unique camera tracking solution for augmented reality content and visual effects in film and TV production.

www.ncam-tech.com



Cost:	£2,120,000
Valuation:	£1,610,000
Date of initial investment:	March 2018
Equity held:	24.6%
Valuation basis:	Sales multiple



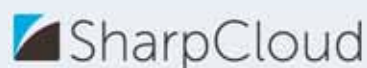
Year ended 31 March	2019 £million	2018 £million
Sales	1.75	2.22
LBITA	(1.91)	(0.61)
Loss before tax	(1.93)	(0.62)
Retained losses	(2.93)	(1.26)
Net assets	1.30	1.95

SharpCloud Software Limited

London

SharpCloud is a leading visual business collaboration platform for Strategic Portfolio Management. The company has achieved rapid growth in recent years and has an impressive client list including blue chip companies and government organisations.

www.sharpcloud.com



Cost:	£2,190,000
Valuation:	£1,539,000
Date of initial investment:	October 2019
Equity held:	14.6%
Valuation basis:	Sales multiple



Year ended 31 December	2018* £million	2017 £million
Sales	0.83	0.71
(LBITA) EBITA	(0.08)	0.07
(Loss) profit before tax	(0.13)	0.05
Retained losses	(0.13)	-
Net (liabilities) assets	(0.12)	-

* Unaudited

Risk Factors

The Board carries out a regular review of the risk environment in which the Company operates.

The emerging and principal risks and uncertainties identified by the Board and techniques used to mitigate these risks are set out in this section.

The occurrence of the coronavirus pandemic has created heightened uncertainty, but has not changed the nature of the principal risks. The Board considers that the present processes for mitigating those risks remain appropriate.

The Board seeks to mitigate its emerging and principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in section 4: “Audit, Risk and internal Control” of the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018. Details of the Company’s internal controls are contained in the Corporate Governance Internal Control section on pages 49 and 50 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 Manager actively monitors investee performance which provides quality information for monthly reviews of the portfolio. The Manager ensures that the portfolio has plans to manage the impact of economic risk.

Investment and Strategic

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

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

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. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Mitigation – The Manager and the Company Secretary have procedures in place to ensure recurring Listing Rules requirements are met and actively consult with brokers, solicitors and external compliance advisers as appropriate. The key controls around regulatory compliance are explained on pages 49 and 50.

Reputational

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

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

Operational

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

Mitigation – The Manager has a documented business continuity plan, which provides for back-up services in the event of a system breakdown. The Manager's systems are 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 Company's internal control and risk management processes are described on pages 49 and 50.

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 Manager and on a quarterly basis by the Board.

Other Matters

Section 172 Statement

This section sets out your Company's Section 172 Statement and should be read in conjunction with the other contents of the Strategic Report on pages 5 to 37.

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

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

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

Key stakeholders

Investors

The Board engages and communicates with shareholders by various means. The Company encourages shareholders to attend its Annual General Meeting and, along with British Smaller Companies VCT2 plc, holds an annual Investor Workshop, which is attended by around 200 shareholders. Additionally, the Manager carries out regular shareholder surveys.

The directors' decisions are intended to achieve the Company's objective to maximise Total Return and provide investors with an attractive long-term tax-free dividend yield. Maintaining the Company's status as a VCT is a critical element of this, especially as investors are required to hold any newly-acquired shares for at least five years in order to retain their initial tax relief.

On 1 April 2019, as set out under the heading "Fundraising" on page 8, the Company raised a substantial amount of new funds and in the light of this the Board decided there was no need for a further fundraising in the 2019/20 tax year.

In order to further diversify the Company's liquid holdings the Board decided to invest a further £2.4 million into its portfolio of listed investment funds and £2.5 million was also placed into a Money market fund.

Dividends

In order to provide shareholders with a level of income the Board decided to pay an interim dividend of 4.0 pence per ordinary share on 12 June 2019. Following the gain on the disposal of the investment in Eikon Holdco Limited (see page 37) it was decided that a further interim dividend of 2.0 pence per ordinary share would be paid on 20 March 2020.

Dividend Re-investment Scheme (DRIS) and share buybacks

As a result of the uncertainty and disruption caused to public markets by the coronavirus pandemic, the Board felt that it was appropriate to suspend the Company's share buyback policy and its DRIS with effect from 20 March 2020.

Manager

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

Portfolio Companies

The Company holds minority investments in its portfolio companies and it has appointed the Manager to manage the portfolio. While the Board has little direct contact with the portfolio the Manager provides updates on the entire portfolio at least quarterly.

The Company also completed the exit of its AIM portfolio and there were three major disposals in the year; Business Collaborator Limited, Eikon Holdco Limited and Leengate Holdings Limited. Leengate had been held since 2013 and was purchased by its management team. An unsolicited offer was received for Eikon and, while the intention had been to hold the investment for longer, it was felt that the opportunity to make a partial realisation, while retaining an interest in the business, was the best outcome for all stakeholders. After a formal sale process a very strong offer was received for the investment in Business Collaborator and the realisation completed in March 2020 after a very short period of exclusivity.

During the year there was also a further funding round at Matillion and, given the value implied by new investors, it was felt appropriate to realise enough proceeds to recover the cost of the original investment.

Employees and directors

The Company has no employees. As a result of Edward Buchan's decision to retire from the Board at last year's Annual General Meeting the Board undertook a recruitment process which led to the appointment of Jonathan Cartwright and Adam Bastin as directors. Two new directors were recruited because it was felt that they brought new and complementary skills to the Board. For a review of the policies used when appointing directors to the Board of the Company please refer to the Directors' Remuneration Report.

Environment and Community

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment. The management and administration of the Company is undertaken by the Manager, YFM Private Equity Limited, who recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies to reduce any

damage that might be caused by its activities. Initiatives of the Manager designed to minimise its and the Company's impact on the environment include recycling and reducing energy consumption. More details of the work that the Manager has done in this area are set out on page 20 and at www.yfmep.com/who-we-are/our_impact/.

Business Conduct

The Company has a zero-tolerance approach to bribery and corruption.

The following is a summary of its policy:

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

The Strategic Report on pages 5 to 37 is approved by order of the Board



Helen Sinclair
Chairman

24 June 2020

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 eight years at 3i plc focusing on MBOs and growth capital investments. She later co-founded Matrix Private Equity (now Mobeus) 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.



Adam Bastin (appointed 11 September 2019) is currently VP, Corporate Development at Arm Limited, the world's largest semiconductor IP company, where he leads acquisitions and investments on behalf of Arm, and therefore brings a well-developed network in the technology sector in the UK and internationally. Adam is an experienced M&A, corporate finance and investment professional with 20 years transaction experience, both for leading investment banks and FTSE 100 companies and is a qualified management accountant (CIMA). He brings a wealth of experience of investing in, acquiring and selling smaller companies, across a range of sectors and has served on the boards of various early-stage technology companies.



Jonathan Cartwright (appointed 1 October 2019) is currently Chairman of BMO Capital and Income Investment Trust plc and The Income & Growth VCT plc. He is also a non-executive director of Tennants Consolidated Limited where he is Chairman of the Audit Committee. Jonathan has significant experience of the investment trust and VCT sectors and of serving on the boards of both public and private companies in executive and non-executive roles.



Rupert Cook (appointed 1 August 2017) specialises in corporate and business development, with 30 years' experience of technology companies, including 20 years in corporate finance and investment. He has led multiple fundraisings, acquisitions and sales of 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 an active investor in early stage technology companies and recently spent two years in a growth and strategy role at Immersive Labs Limited, where he remains a non-executive director.

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 2020

The directors present their report and audited financial statements of British Smaller Companies VCT plc (the "Company") for the year ended 31 March 2020.

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 37. 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 61. The loss before and after taxation for the year amounted to £5,091,000 (2019: profit of £6,405,000).

During the year the Company paid £8,348,000 in dividends (2019: £11,875,000) totalling 6.0 pence (2019: 11.0 pence) per ordinary share. A detailed review can be found in note 5 on page 74.

The directors have announced an interim dividend of 2.0 pence per ordinary share for the year ending 31 March 2021.

The net asset value per ordinary share at 31 March 2020 was 64.5 pence (2019: 74.3 pence). The transfer to and from reserves is given in the Statement of Changes in Equity on page 63.

Going Concern

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

The Company has a significant level of liquidity, following last year's major fundraising and the major realisations during the year. In addition the Board has control over the Company's major outgoings, which are dividends, share buybacks and investments.

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

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

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

In making their assessment the directors have taken into account the emerging and principal risks and their mitigation identified in the strategic report on pages 33 to 35 and the nature of the Company's business. The Company has substantial reserves of cash following last year's fundraising and substantial disposals and the Board believes that the portfolio will be able to ride out the short-term impact of the coronavirus pandemic and will generate attractive returns for shareholders in the future. In addition, as noted above, the directors have the ability to minimise the level of cash outflows, should this be necessary.

Directors' Report (continued)

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

Corporate Governance

The statement on corporate governance set out on pages 43 to 50 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) 3,617,817 ordinary shares of 10 pence each in the market (as disclosed in the table below) for aggregate consideration (including fees) of £2,503,000. 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. This authority will be replaced by a new authority at the forthcoming Annual General meeting.

During the year to 31 March 2020 a total of 31,167,066 ordinary shares were issued. As a result of the offer for subscription 28,769,702 were issued, while 2,397,364 ordinary shares were issued under the Company's DRIS. Further details are given in note 11 on page 84. 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 11 December 2020 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 Ordinary Shares

Date	Number of Ordinary shares of 10p bought back	Percentage of issued share capital at that date	Consideration paid per ordinary share (pence)
26 June 2019	989,726	0.70%	67.29
26 September 2019	517,000	0.37%	67.29
19 December 2019	858,179	0.61%	69.28
20 March 2020	1,252,912	0.90%	70.40
	3,617,817		

Due to the uncertainty over the coronavirus pandemic, the Company's DRIS and buyback policies were temporarily suspended on 20 March 2020 and subsequently reinstated on 24 June 2020.

Capital Disclosures

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

- > the Company's capital structure is summarised in note 11 to the financial statements. Each ordinary share carries one vote. There are no restrictions on voting rights or any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- > there are no securities carrying special rights with regard to the control of the Company;
- > the Company does not have an employee share scheme;
- > the rules concerning the appointment and replacement of directors, amendments to the Articles of Association and powers to issue or buy-back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- > with the exception of the Manager's Incentive Agreement, there are no agreements to which the Company is party that take effect, alter or terminate upon a change in control following a takeover bid; and
- > there are no agreements between the Company and its directors providing for compensation for loss of office that may occur because of a takeover bid.

Environment

The Company 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. Details of the Manager's approach to environmental issues are set out on page 37.

Directors and their Interests

The directors of the Company at 31 March 2020, their interests and contracts of significance are set out in the Directors' Remuneration Report on pages 51 to 53.

Substantial Shareholdings

The directors are not aware of any substantial shareholdings representing three per cent or more of the Company's issued share capital as at 31 March 2020 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.

No fees are payable to the auditor in respect of non-audit services.

Financial Instruments

Details of the financial instruments held by the Company and the risks associated with them are set out on pages 85 to 90 and this information is accordingly incorporated into the Directors' Report by reference.

Employment Policies

The employment policies of the Company are set out on page 44.

Directors' Report (continued)

Annual General Meeting

Shareholders will find the Notice of the Annual General Meeting on pages 91 to 94 of these financial statements.

The ordinary business of the meeting includes a resolution (**Resolution 9**) proposed to ensure the directors retain the authority to allot shares in the Company until the date of the 2021 Annual General Meeting up to an aggregate nominal amount of £5,000,000 (representing approximately 36 per cent of the issued ordinary share capital of the Company as at 24 June 2020, excluding treasury shares).

Resolution 10 is an ordinary resolution proposed to continue the Company's dividend re-investment scheme until the beginning of the Annual General Meeting in 2023. The Company's dividend re-investment scheme currently terminates on 31 December 2020 and this proposed extension of its life will ensure its expiry coincides with the authority to allot shares under the DRIS.

Also included are the following special resolutions:

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

Resolution 12 is proposed to renew the existing share buy-back authority which expires on the later of 1 August 2020 or the date of the 2020 Annual General Meeting (shares purchased under this authority may be placed in Treasury).

Resolution 13 is proposed to approve the changes to the Company's Articles of Association in relation to the holding of general and annual general meetings.

Currently the Company's Articles of Association provide for physical general and annual general meetings only but the Notice of the Annual General Meeting includes a resolution to allow your Company, at the Board's discretion, to hold such meetings by electronic means. No other changes have been made to the Articles of Association.

This report was approved by the Board on 24 June 2020 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 February 2019 ("AIC Code") available on the AIC website www.theaic.co.uk

The AIC Code addresses all the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council ("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 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 2020 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 Code and in the introduction 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 managed 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 Manager has authority. This includes monitoring of the Company's assets and the provision of accounting, company secretarial, administration and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance, risk control and custody arrangements.

The Board meets at least quarterly 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.

The Board works together constructively as a team and Board meetings are conducted in an atmosphere of creative tension and in a manner which encourages open discussion and healthy debate, allowing each Board member to clearly add value to discussion and decisions.

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 four non-executive directors, all of whom are regarded by the Board as independent and also as independent of the Company's Manager, including the Chairman. 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

Corporate Governance (continued)

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 38.

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.

Diversity of thought, experience and approach are all important and the directors will always seek to appoint on merit against objective criteria. The directors who joined in the year have further broadened the Board's expertise, bringing significant additional experience of investing in high-growth businesses and driving shareholder returns.

Tenure

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

The directors recommend the re-election of Ms H Sinclair, Mr R Cook, Mr A C N Bastin and Mr J H Cartwright 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 below details the number and function of the meetings attended by each director.

During the year there were nine formal Board meetings, three Audit Committee meetings, one Remuneration and Nominations Committee meeting, one General meeting and two Allotment Committee meetings. The directors met via telephone and electronic conferences on 19 other occasions.

Meetings attended

Director	Ms H Sinclair	Mr R Cook	Mr A C N Bastin*	Mr J H Cartwright*	Mr C W E R Buchan**	Total
Board meetings	9	9	6	5	4	9
Audit Committee	3	3	2	2	1	3
Allotment Committee	-	-	-	-	2	2
Remuneration and Nominations Committee	1	1	-	-	1	1
General meeting	1	1	-	-	1	1
Telephone and electronic conferences	19	19	11	6	8	19
Total	33	33	19	13	17	35

* from date of appointment

** up to date of resignation

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

Training and Appraisal

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

The performance of the Board has been evaluated during the financial year ended 31 March 2020. During the year, the Board, led by Mr C W E R Buchan, 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 directors being proposed for re-election continues to be effective and that they continue to show commitment to the role. The independent directors have

similarly appraised the performance of the Chairman. They considered that the performance of Ms H Sinclair continues to be effective.

Remuneration & Nominations Committee

The Company has a combined Remuneration and Nominations Committee, which consists of the four non-executive directors, who are considered by the Board to be independent of the Manager. Mr J H Cartwright 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 51 to 53.

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.

Audit Committee

The Audit Committee consists of the four non-executive directors and meets at least three times each year. The directors consider that it is appropriate that, following the retirement of Mr C W E R Buchan on 11 September 2019, the Chairman of the Committee should be Mr J H Cartwright. The members of the Committee consider that they have the requisite skills and experience to fulfil

Corporate Governance (continued)

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

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

The directors' statement on the Company's system of internal control is set out on pages 49 and 50.

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 2020 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 the Manager's statement of internal controls operated in relation to the Company's business and assessing the effectiveness of those controls in minimising the impact of key risks;
- > reviewing reports on the effectiveness of the Manager's compliance procedures;
- > reviewing the appropriateness of the Company's accounting policies;
- > reviewing the Company's draft annual financial statements, half yearly results statement and interim management statements prior to Board approval, including the proposed fair value of investments as determined by the directors;
- > reviewing the external auditor's detailed reports to the Committee on the annual financial statements; and
- > recommending to the Board and shareholders the re-appointment of BDO LLP as the Company's external auditor.

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

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

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

Valuation of Unquoted Investments

The Audit Committee reviewed the estimates and judgements made in the investment valuations and was satisfied that they were appropriate. The Manager 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, including the IPEVC's Special Valuation Guidance issued in March 2020 in response to the impact of the coronavirus pandemic, 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 Manager 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 Manager confirmed to the Audit Committee that it was not aware of any material unadjusted misstatements. Having reviewed the reports received from the Manager 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 Manager being present.

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

- > demonstrated strong technical knowledge and clear understanding of the business;
- > indicated professional scepticism in key judgements and raised any significant issues in advance of the audit process commencing;
- > allocated an audit team that is appropriately resourced;
- > demonstrated a proactive approach to the audit planning process and engaged with the 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 Manager and produce comprehensive reports on its findings;
- > demonstrated that it has appropriate procedures and safeguards in place to maintain its independence and objectivity; and
- > charged justifiable fees in respect of the scope of services provided.

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

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

Corporate Governance (continued)

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 seven years; in accordance with professional guidelines the engagement partner will be rotated after at most five years, and the current partner has served for four years. The committee notes that the last tender process was performed in the year ended 31 March 2014.

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

Investment Committee

The Investment Committee currently consists of the four 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 Manager 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 Manager 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 Manager. The quorum for Committee meetings is one director, unless otherwise determined by the Board. In addition the Company Secretary has an authority to allot shares under the DRIS.

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

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance, and reports formally to shareholders 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.

In most years all shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the directors and representatives of the Manager are available in person to meet with and answer shareholders' questions. The Board hopes that the Stay at Home Measures currently in place will be lifted sufficiently to allow shareholders to do so again this year. In addition representatives of the Manager periodically hold shareholder workshops which review the Company's performance and industry developments, and which give shareholders a further opportunity to meet members of the Board and chief executives or chairmen of some of the investee companies. During the year the Company's Manager has held regular discussions with shareholders. The directors are made fully aware of shareholders' views. The 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 38.

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 38. 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. If the Stay at Home Measures are still in place at the time of the Annual General Meeting it may be necessary to restrict the number of attendees and the Board will inform shareholders of any changes to the arrangements nearer to the time.

Internal Control and Risk Management

Under an agreement dated 28 February 1996, as varied by agreements dated 1 July 2009, 16 November 2012, 17 October 2014, 24 August 2015 and 18 November 2019, certain functions of the Company have been sub-contracted to YFM Private Equity Limited. The Board receives operational and financial reports on the current state of the 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 Manager 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 Manager, save for those in respect of quoted investments which are taken by the Manager (as regards new investment, in conjunction with the Chairman of the Investment Committee) in accordance with the terms as set out on page 48;
- > 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 Manager with a review of performance. Additional information is supplied on request.

The Board confirms the procedures to implement the guidance detailed in Principle O of the AIC Code and those identified in the Principles 13 and 15 of the AIC Code were in place throughout the year ended 31 March 2020 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 Manager over the preparation and reconciliation of investment portfolio valuations;
- > monthly reconciliation of assets held as cash or on fixed term deposit;
- > 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 45 to 48);
- > 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.

The Company was registered with the FCA as a Small Registered Alternative Investment Fund Manager until 24 March 2020 and up to that date held its own investments. From that date the Manager became the Company's Alternative Investment Fund Manager and took over responsibility for the custody of the Company's investments. All certificates and other documents evidencing title (whether or not in registered form) will be

Corporate Governance (continued)

received by the Company and will be held in the Company's name and held in custody by the Manager. 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.

Corporate Governance in relation to Investee Companies

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

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

Co-investment

Typically the Company invests alongside other venture capital funds and other private equity funds managed by the Manager, such syndication spreading investment risk. Details of the amounts invested in individual companies are set out in the Strategic Report. Co-investments are detailed in note 7 to the financial statements on pages 82 and 83.

Management

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

This report was approved by the Board on 24 June 2020 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. Ordinary resolutions for the approval of this report and the Directors' Remuneration Policy will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditor, BDO LLP, to audit certain information included in this report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the Independent Auditor's Report on pages 55 to 60.

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 four 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 J H Cartwright 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 93 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, subject to approval at the forthcoming AGM.

Brief biographical notes on the directors are given on page 38.

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 2020 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 2020 (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 on page 52):

There are no executive directors (2019: none).

Directors' Remuneration Report (continued)

Table A
Total fees paid (audited)

	2020 £	2019 £
H Sinclair	40,000	40,000
R Cook	25,000	25,000
A C N Bastin*	13,846	-
J H Cartwright**	12,500	-
C W E R Buchan***	11,186	25,000
	102,352	90,000

* appointed 11 September 2019.

** appointed 1 October 2019.

*** retired from the Board on 11 September 2019.

The annual salaries of Mr A C N Bastin and Mr J H Cartwright from the date of their appointment are £25,000.

Directors and their interests (audited)

The directors of the Company at 31 March 2020 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 2020	31 March 2019	31 March 2020	31 March 2019
H Sinclair	23,062	23,062	0.02%	0.02%
R Cook	36,110	7,750	0.03%	0.00%
A C N Bastin	-	-	-	-
J H Cartwright	-	-	-	-

None of the directors held any options to acquire additional shares at the year end. The Company has not set out any formal requirement or guidelines concerning their ownership of shares in the Company.

Relative Importance of Spend on Pay

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

TABLE C
Relative importance of pay

	2020 £	2019 £
Dividends	8,348,000	11,875,000
Share buy-backs	2,503,000	2,009,000
Total directors' fees	102,352	90,000

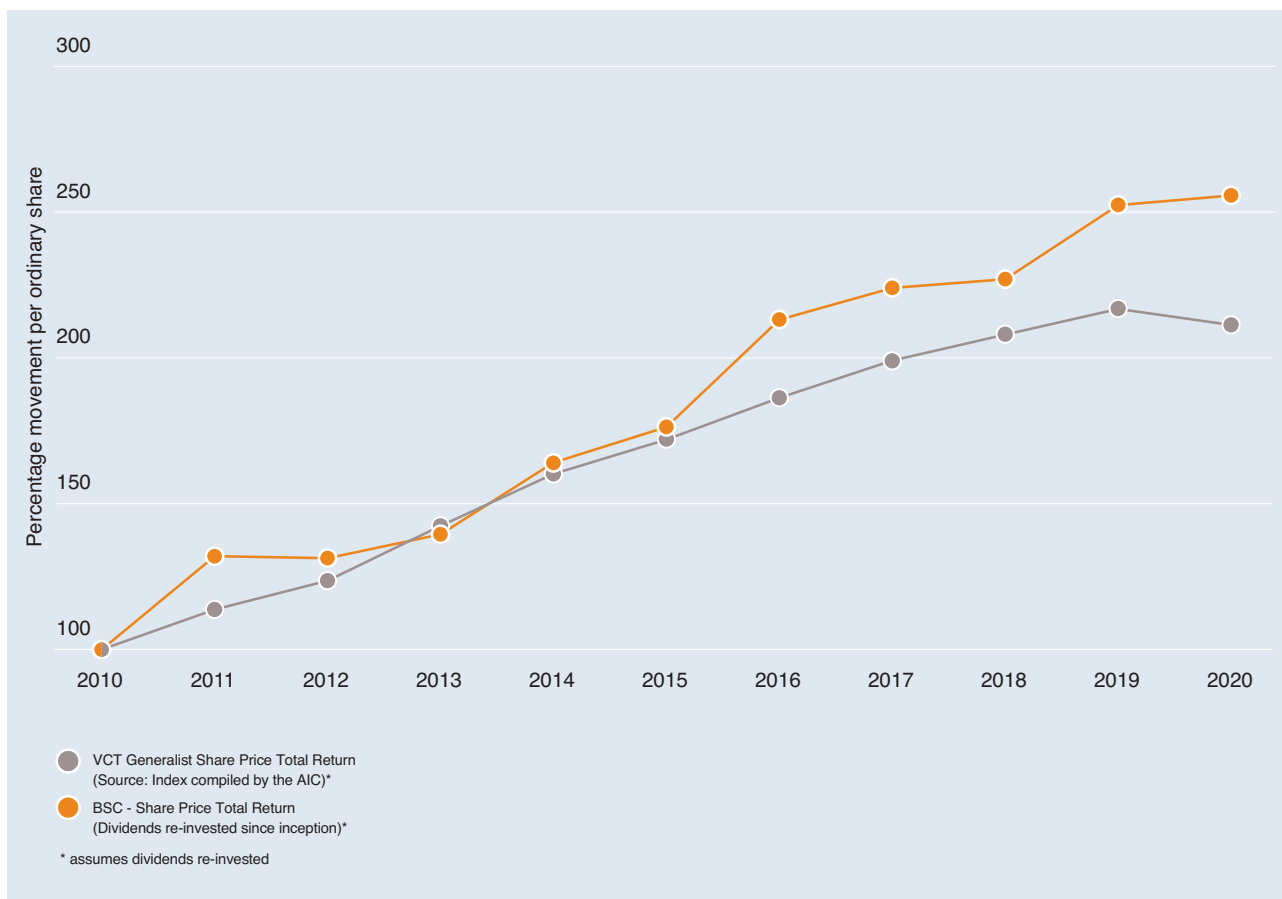
Consideration of Employment Conditions of Non-director Employees

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

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager through the 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 48 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 2010. The directors consider this to be the most appropriate published index on which to report on comparative performance and it is pleasing to note that the Company has out-performed its peer group.

This report was approved by the Board and signed on its behalf on 24 June 2020.

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 38.

This statement was approved by the Board and signed on its behalf on 24 June 2020.



Helen Sinclair
Chairman

* Disclosure Guidance and Transparency Rules - Annual financial report and Half-Yearly financial reports.

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 2020 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 2020 and of the Company's loss 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 requirements 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 directors' confirmation in the annual report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- > the directors' statement 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 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.

Independent Auditor's Report (continued)

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.

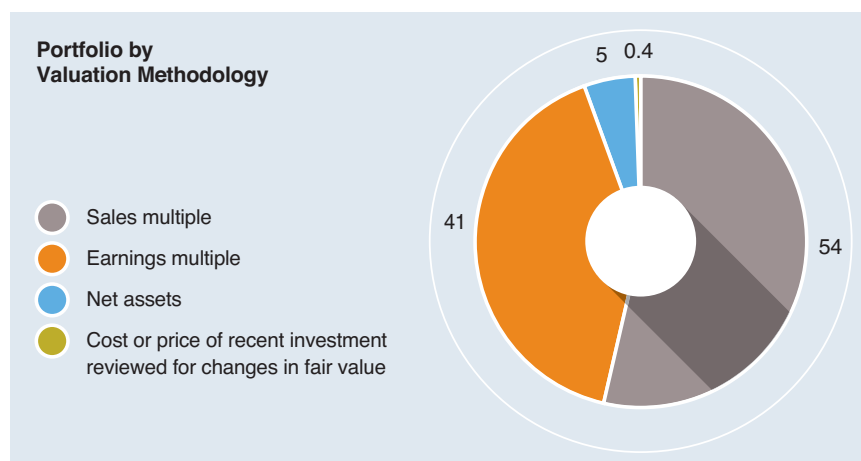
Matter	Audit response
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Valuation of unquoted investments (Note 1 and Note 7)

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 Manager, who is remunerated based on the net asset value of the Company.

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 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 (“IPEVC”) 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 for changes in fair value) we:

- > Verified the cost or price of recent investment to supporting documentation;
- > Considered whether the investment was an arm’s length transaction through reviewing the parties involved in the transaction and considering whether or not they were already investors of the investee company;
- > Considered whether there were any indications that the cost or price of recent investment was no longer representative of fair value considering, inter alia, the current performance of the investee company and the milestones and assumptions set out in the investment proposal; and
- > Considered whether the price of recent investment is supported by alternative valuation techniques.

Matter

Audit response

For investments sampled that were valued using more subjective techniques (earnings and revenue multiples) we:

- > Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding, including the impact of the coronavirus pandemic on the valuations and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;
- > Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues and earnings used in the valuations;
- > Considered the revenue 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 earnings multiple applied in arriving at the valuations adopted by obtaining independent multiples and performing sensitivity analysis on the investment valuations.

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.

We also considered the completeness and clarity of disclosures regarding the valuation of investments in the financial statements.

Key observations

Based on the procedures performed we consider the investment valuations to be within an appropriate range considering the level of estimation uncertainty.

We consider the investment disclosures to be materially complete and accurate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, 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 two levels of materiality, the quantum and purpose of which are tabulated on page 58. In setting materiality, we had regard to the nature and disposition of the investment portfolio.

Independent Auditor's Report (continued)

Materiality Measure	Purpose	Key considerations	2020 Quantum (£)	2019 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.	<ul style="list-style-type: none"> > The value of investments > The level of judgement inherent in the valuation > The range of reasonable alternative valuation 	1,110,000	1,130,000
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.	<ul style="list-style-type: none"> > Financial statement materiality > Risk and control environment > History of prior errors 	830,000	850,000

We have set a lower testing threshold for those items impacting revenue return of £30,000 which is based on 10% of revenue return before tax.

In prior year we set a formal specific materiality threshold for those items impacting revenue return of £120,000 which is based on 10% of revenue return before tax.

In the current year we have not set a formal specific materiality threshold due to changes in the make up of the portfolio which has resulted in less income being received.

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £22,000 (2019: £6,000) 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, the key functions undertaken by the Board 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.

How the audit was considered capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Company 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 included but were not limited to compliance with Chapter 3 Part 6 of

the Income Tax Act 2007, the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP and IFRS accounting standards. We also considered the Company's qualification as a VCT under UK tax legislation as any breach of this would lead to the Company losing various deductions and exemptions from corporation tax.

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.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- > obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- > review of minutes of Board meetings throughout the period;
- > we made enquiries of the existence of legal invoice and correspondence in the period and reviewed any that were applicable;
- > review of VCT compliance workings and reports;
- > enquiries and representations of management and the Board of Directors;
- > agreement of the financial statement disclosures to underlying supporting documentation; and
- > Multi-tier review of the financial statements against disclosure checklists.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we 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.

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** - 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 position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- > **Audit committee reporting** – 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** – 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.

Independent Auditor's Report (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 of Directors on 31 January 2014 to audit the financial statements for the year ending 31 March 2014 and subsequent financial periods. In respect of the period ended 31 March 2020 we were reappointed by the members of the Company at the Annual General Meeting held 11 September 2019. The period of total uninterrupted engagement is seven years, covering the years ending 31 March 2014 to 31 March 2020.

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

24 June 2020

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 2020

	Notes	Revenue £000	2020 Capital £000	Total £000	Revenue £000	2019 Capital £000	Total £000
Gains on disposal of investments	7	-	7,913	7,913	-	4,286	4,286
(Losses) gains on investments held at fair value	7	-	(12,017)	(12,017)	-	2,258	2,258
		-	(4,104)	(4,104)	-	6,544	6,544
Income	2	1,517	-	1,517	2,202	97	2,299
Total income (expense)		1,517	(4,104)	(2,587)	2,202	6,641	8,843
Administrative expenses:							
Manager's fee		(430)	(1,288)	(1,718)	(428)	(1,286)	(1,714)
Other expenses		(786)	-	(786)	(680)	(44)	(724)
	3	(1,216)	(1,288)	(2,504)	(1,108)	(1,330)	(2,438)
Profit (loss) before taxation		301	(5,392)	(5,091)	1,094	5,311	6,405
Taxation	4	-	-	-	(72)	72	-
Profit (loss) for the year		301	(5,392)	(5,091)	1,022	5,383	6,405
Total comprehensive income (expense) for the year		301	(5,392)	(5,091)	1,022	5,383	6,405
Basic and diluted earnings (loss) per ordinary share	6	0.22p	(3.86p)	(3.64p)	0.94p	4.94p	5.88p

The accompanying notes on pages 66 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 October 2019 – "SORP") published by the AIC.

Balance Sheet

At 31 March 2020

	Notes	2020 £000	2019 £000
ASSETS			
Non-current assets at fair value through profit or loss			
Investments	7	48,358	57,019
Listed investment funds	7	4,789	2,494
Financial assets at fair value through profit or loss	7	53,147	59,513
Accrued income and other assets	8	367	656
		53,514	60,169
Current assets			
Accrued income and other assets	8	229	1,023
Current asset investments	9	9,471	6,970
Cash and cash equivalents	9	25,952	14,030
		35,652	22,023
LIABILITIES			
Current liabilities			
Trade and other payables	10	(205)	(169)
Net current assets		35,447	21,854
Net assets		88,961	82,023
Shareholders' equity			
Share capital	11	14,950	11,833
Share premium account		22,838	2,868
Capital reserve		49,624	49,556
Investment holding gains and losses reserve		375	15,250
Revenue reserve		1,174	2,516
Total shareholders' equity		88,961	82,023
Net asset value per ordinary share	12	64.5p	74.3p

The accompanying notes on pages 66 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 24 June 2020.



Helen Sinclair
Chairman

Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital £000	Share premium account £000	Capital reserve £000	Investment holding gains and losses reserve £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2018	11,342	-	53,422	18,146	3,227	86,137
<i>Revenue return for the year</i>	-	-	-	-	1,094	1,094
<i>Capital return for the year</i>	-	-	(1,233)	-	-	(1,233)
<i>Gain on investments held at fair value</i>	-	-	-	2,258	-	2,258
<i>Gain on disposal of investments in the year</i>	-	-	4,286	-	-	4,286
<i>Taxation</i>	-	-	72	-	(72)	-
Total comprehensive income for the year	-	-	3,125	2,258	1,022	6,405
<i>Issue of shares – DRIS</i>	491	2,900	-	-	-	3,391
<i>Issue costs – DRIS</i>	-	(32)	-	-	-	(32)
<i>Unclaimed dividends</i>	-	-	6	-	-	6
<i>Purchase of own shares</i>	-	-	(2,009)	-	-	(2,009)
<i>Dividends</i>	-	-	(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
<i>Revenue return for the year</i>	-	-	-	-	301	301
<i>Capital expenses for the year</i>	-	-	(1,288)	-	-	(1,288)
<i>Loss on investments held at fair value</i>	-	-	-	(12,017)	-	(12,017)
<i>Gain on disposal of investments in the year</i>	-	-	7,913	-	-	7,913
Total comprehensive income (expense) for the year	-	-	6,625	(12,017)	301	(5,091)
<i>Issue of share capital</i>	2,877	19,338	-	-	-	22,215
<i>Issue of shares – DRIS</i>	240	1,357	-	-	-	1,597
<i>Issue costs</i>	-	(725)	(207)	-	-	(932)
<i>Purchase of own shares</i>	-	-	(2,503)	-	-	(2,503)
<i>Dividends</i>	-	-	(6,705)	-	(1,643)	(8,348)
Total transactions with owners	3,117	19,970	(9,415)	-	(1,643)	12,029
Realisation of prior year investment holding gains	-	-	2,858	(2,858)	-	-
Balance at 31 March 2020	14,950	22,838	49,624	375	1,174	88,961

The accompanying notes on pages 66 to 90 are an integral part of these financial statements.

Statement of Changes in Equity (continued)

For the year ended 31 March 2020

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 set out on page 63	49,624	1,174	50,798
Less : Income not yet distributable	-	(968)	(968)
: Cancelled share premium not yet distributable (see below)	(9,779)	-	(9,779)
Reserves available for distribution¹	39,845	206	40,051

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

The capital reserve and revenue reserve are both distributable reserves. The reserves total £50,798,000 representing a decrease of £1,274,000 during the year. The directors also take into account the level of the investment holding gains and losses reserve and the future requirements of the Company when determining the level of dividend payments.

Of the potentially distributable reserves of £50,798,000 shown above, £968,000 relates to income not yet distributable and £9,779,000 relates to share premium which became distributable from 1 April 2020 onwards (see below).

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

	£000
1 April 2020 – now distributable	8,288
1 April 2021	1,491
Cancelled share premium not yet distributable at 31 March 2020	9,779

Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Net cash outflow from operating activities		(427)	(204)
Cash flows from (used in) investing activities			
Cash maturing from fixed term deposit		-	2,031
Purchase of financial assets at fair value through profit or loss	7	(17,413)	(6,126)
Proceeds from sale of financial assets at fair value through profit or loss	7	19,744	17,471
Deferred consideration	7	490	1,374
Net cash inflow from investing activities		2,821	14,750
Cash flows from (used in) financing activities			
Issue of ordinary shares		22,215	-
Costs of ordinary share issues*		(932)	(32)
Purchase of own ordinary shares		(2,503)	(2,009)
Dividends paid	5	(6,751)	(8,532)
Net cash inflow (outflow) from financing activities		12,029	(10,573)
Net increase in cash and cash equivalents		14,423	3,973
Cash and cash equivalents at the beginning of the year		14,030	10,057
Cash and cash equivalents at the end of the year		28,453	14,030
Cash and cash equivalents comprise			
Money market funds	9	2,501	-
Cash at bank	9	25,952	14,030
Cash and cash equivalents at the end of the year		28,453	14,030

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

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

	2020 £000	2019 £000
(Loss) profit before taxation	(5,091)	6,405
Increase (decrease) in trade and other payables	36	(514)
Decrease in trade and other receivables	613	635
Gains on disposal of investments	(7,913)	(4,286)
Losses (gains) on investments held at fair value	12,017	(2,258)
Capitalised income	(89)	(186)
Net cash outflow from operating activities	(427)	(204)

The accompanying notes on pages 66 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 as set out in the Director's Report on page 39 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 October 2019 – "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. The Company has determined that the transitional effects of the standards do not have a material impact. In particular as the Company does not have any leases there is no impact from the adoption of IFRS 16.

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

Financial Assets held at Fair Value through Profit or Loss

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

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

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

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

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

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

Valuation of Investments

Unquoted investments are valued in accordance with IFRS 13 “Fair Value Measurement” and, using the International Private Equity and Venture Capital (“IPEVC”) Valuation Guidelines (“the Guidelines”) issued in December 2018 and updated in March 2020. Quoted investments are valued at market bid prices. A detailed explanation of the valuation policies of the Company is included below.

Initial measurement

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

Subsequent measurement

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

Unquoted Investments

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

Notes to the Financial Statements (continued)

1. Principal Accounting Policies (continued)

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

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

Quoted Investments and Listed Investment Funds

Quoted investments and listed investment funds are valued at active market bid price. An active market is defined as one where transactions take place regularly with sufficient volume and frequency to determine price on an ongoing basis. No methodology other than active market bid price has been applied as at 31 March 2020.

Income

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

Expenses

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

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

Cash, Cash Equivalents and Current Asset Investments

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

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

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

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

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

Share Capital and Reserves

Share Capital

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

Share Premium Account

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

Capital Reserve

The following are included within this reserve:

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

Investment Holding Gains and Losses Reserve

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

Revenue Reserve

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

Taxation

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

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

Notes to the Financial Statements (continued)

1. Principal Accounting Policies (continued)

Dividends Payable

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

Segmental Reporting

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

Critical Accounting Estimates and Judgements

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

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

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

2. Income

	2020 £000	2019 £000
Dividends from unquoted companies	450	697
Dividends from AIM quoted companies	12	117
Interest on loans to unquoted companies	681	1,235
Income from portfolio	1,143	2,049
Dividends from listed investment funds	70	61
Interest from listed investment funds	44	11
Fixed interest Government securities	-	3
Income from investments held at fair value through profit or loss	1,257	2,124
Interest on bank deposits	260	175
	1,517	2,299

3. Administrative Expenses

	2020 £000	2019 £000
Manager's fee	1,718	1,714
Administration fee	66	64
Total payable to YFM Private Equity Limited	1,784	1,778
<i>Other expenses:</i>		
General expenses	91	125
Directors' remuneration	108	99
Trail commission paid to financial intermediaries	114	88
Listing and registrar fees	53	47
Auditor's remuneration (excluding irrecoverable VAT):		
– audit of the statutory financial statements	33	29
– other services	-	9
Irrecoverable VAT	32	28
Printing	30	39
	2,245	2,242
Fair value movement related to credit risk	259	196
	2,504	2,438
Ongoing charges figure	2.16%	2.54%

Directors' remuneration comprises only short term benefits including social security contributions of £8,000 (2019: £8,000).

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

No fees are payable to the auditor in respect of other services (2019: £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 1 July 2009, 16 November 2012, 17 October 2014, 24 August 2015 and 18 November 2019. The agreement may be terminated by not less than 12 months' notice given by either party at any time. No notice has been issued to or by YFM Private Equity Limited terminating the contract as at the date of this Report.

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

The key features of the IAA are:

- > YFM Private Equity Limited receives a Manager's fee, calculated at half-yearly intervals as at 31 March and 30 September, at the rate of 2.0 per cent of gross assets less current liabilities. The fee is allocated between capital and revenue as described in note 1. The fee is payable quarterly in advance.
- > With effect from 1 April 2019 the annual fee payable to the Manager is 1.0 per cent on all surplus cash, defined as all cash above £15 million, unless an incentive fee has been paid under the new agreement in which case the amount determined to be surplus will be the excess over £7.5 million. The annual fee on all other assets will be 2.0 per cent of net assets per annum. Based on the Company's net assets at 31 March 2020 of £88,961,000 and cash of £32,922,000 at that date, this equates to £1,600,000 per annum.

Notes to the Financial Statements (continued)

3. Administrative Expenses (continued)

- > 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 £66,000 for the year ended 31 March 2020 (2019: £64,000); and
- > YFM Private Equity Limited shall bear the annual operating costs of the Company (including the fees set out above but excluding any payment of the performance incentive fee, details of which are set out below and excluding VAT and trail commissions payable to financial intermediaries) to the extent that those costs exceed 2.9 per cent of the net asset value of the Company. The excess expenses during the year payable to the Company from YFM Private Equity Limited amounted to £nil (2019: £nil).

When the Company makes investments into its unquoted portfolio the Manager charges that investee an advisory fee or arrangement fee, calculated by applying a percentage to the investment amount. The Company and the Manager have agreed that, if the average of the relevant fees during the Company's financial year exceeds 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on holdings this excess will be rebated to the Company. As at 31 March 2020, the Company was due a rebate from the Manager of £nil (2019: £nil).

The total remuneration payable to YFM Private Equity Limited under the IAA in the period was £1,784,000 (2019: £1,778,000).

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

Under the IAA, YFM Private Equity Limited is entitled to receive fees from investee companies in respect of the provision of non-executive directors and other advisory services. YFM Private Equity Limited is responsible for paying the due diligence and other costs incurred in connection with proposed investments which for whatever reason do not proceed to completion. In the year ended 31 March 2020 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £972,000 (2019: £734,000).

At a general meeting of the Company on 7 January 2019 revisions to the Incentive Agreement between the Company and the Manager were approved by shareholders. The major revisions, effective from 7 January 2019 were:

- > the incentive fee will be subject to achieving a target level of Total Return;
- > 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, which was 4.0 pence per ordinary share (increasing in line with RPI); 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 as set out above.

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 2020 the requirement is 5.4 pence per ordinary share.

The total dividends paid in the year are 6.0 pence per ordinary share and the Total Return hurdle for the year ended 31 March 2020 was 239.3 pence per ordinary share while the Total Return at 30 March 2020 was 217.9 pence per ordinary share, a shortfall of 21.4 pence per ordinary share and as a result, the Manager has not met the targets for the year under review and no performance fee has accrued to the Manager (31 March 2019: £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 Manager for any one year shall, when taken with all other relevant costs, ensure that the Total Expenses Ratio is no greater than 5 per cent of the net asset value at the end of the financial year (as adjusted for all realised gains that have been distributed during that year). Any unpaid incentive payment will be carried over to subsequent financial years and be included in the calculation of the Total Expenses Ratio. 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.

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

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

The Manager met all costs and expenses arising from this offer out of this fee, including any payment or re-investment of initial intermediary commissions.

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 51 under the heading "Directors' Remuneration for the year ended 31 March 2020 (audited)".

4. Taxation

	Revenue £000	2020 Capital £000	Total £000	Revenue £000	2019 Capital £000	Total £000
Profit (loss) before taxation	301	(5,392)	(5,091)	1,094	5,311	6,405
Profit (loss) before taxation multiplied by standard rate of corporation tax in UK of 19% (2019: 19%)	57	(1,024)	(967)	208	1,009	1,217
Effect of:						
UK dividends received	(94)	-	(94)	(136)	-	(136)
Non-taxable profits on investments	-	780	780	-	(1,261)	(1,261)
Deferred tax not recognised	37	244	281	-	180	180
Tax charge (credit)	-	-	-	72	(72)	-

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

Deferred tax assets of £2,274,000 (2019: £1,784,000) calculated at 19% in respect of unrelieved management expenses of £11.97 million as at 31 March 2020 (2019: £10.49 million at 17%) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which assets can be recovered.

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

Notes to the Financial Statements (continued)

5. Dividends

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

	Revenue £000	2020 Capital £000	Total £000	Revenue £000	2019 Capital £000	Total £000
Interim dividend for the year ended 31 March 2020 of 4.0p (2019: 4.0p) per ordinary share	-	5,565	5,565	940	3,388	4,328
Special interim dividend for the year ended 31 March 2020 of 2.0p per ordinary share (2019: 7.0p)	1,140	1,643	2,783	793	6,754	7,547
	1,140	7,208	8,348	1,733	10,142	11,875
Shares allotted under DRIS			(1,597)			(3,391)
Unclaimed dividends			-			48
Dividends paid in Statement of Cash Flows			6,751			8,532

The interim dividend of 4.0 pence per ordinary share was paid on 12 June 2019 to shareholders on the register as at 10 May 2019.

The special interim dividend of 2.0 pence per ordinary share was paid on 20 March 2020 to shareholders on the register as at 21 February 2020.

An interim dividend of 2.0 pence per ordinary share in respect of the year ending 31 March 2021 has been announced. This dividend has not been recognised in the year ended 31 March 2020 as the obligation did not exist at the balance sheet date.

During previous years the Company had received amounts from the Registrars in respect of unclaimed dividends and had made efforts to contact the relevant shareholders. The unclaimed balance of £48,000 was subsequently returned to the Registrars during 2018.

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

The basic and diluted (loss) earnings per ordinary share is based on the loss after tax attributable to shareholders of £5,091,000 (2019: profit of £6,405,000) and 139,675,725 (2019: 108,988,846) 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 £301,000 (2019: £1,022,000) and 139,675,725 (2019: 108,988,846) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital (loss) earnings per ordinary share is based on the capital loss for the year attributable to shareholders of £5,392,000 (2019: profit of £5,383,000) and 139,675,725 (2019: 108,988,846) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 28,769,702 new ordinary shares from the fundraising, and 2,397,364 new ordinary shares in respect of its DRIS.

The Company has also repurchased 3,617,817 of its own shares in the year, and these shares are held in the Capital Reserve. The total of 11,592,990 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 2020 and 31 March 2019.

7. Financial Assets at Fair Value through Profit or Loss

IFRS13 and IFRS7, in respect of financial instruments that are measured in the balance sheet at fair value, require 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.

Notes to the Financial Statements (continued)

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

Movements in investments at fair value through profit or loss during the year to 31 March 2020 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1		Level 1	
	Unquoted Investments £000	Quoted Equity Investments £000	Total Quoted and Unquoted £000	Listed Investment Funds £000	Total Investments £000
Opening cost	40,834	984	41,818	2,445	44,263
Opening investment holding gain	14,507	694	15,201	49	15,250
Opening fair value at 1 April 2019	55,341	1,678	57,019	2,494	59,513
Additions at cost	14,984	-	14,984	2,429	17,413
Capitalised income	89	-	89	-	89
Disposal proceeds	(18,054)	(1,690)	(19,744)	-	(19,744)
Net profit on disposal*	7,881	12	7,893	-	7,893
Change in fair value	(11,883)	-	(11,883)	(134)	(12,017)
Closing fair value at 31 March 2020	48,358	-	48,358	4,789	53,147
Closing cost	47,897	-	47,897	4,875	52,772
Closing investment holding gain (loss)	461	-	461	(86)	375
Closing fair value at 31 March 2020	48,358	-	48,358	4,789	53,147

* The net profit on disposal in the table above is £7,893,000 whereas that shown in the Statement of Comprehensive Income is £7,913,000. The difference comprises the change in the value of deferred proceeds totalling £20,000 in respect of assets which have been disposed of and are not included within the investment portfolio at 1 April 2019.

There were no individual reductions in fair value during the year that exceeded 5 per cent of the total assets of the Company (2019: £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, 41 per cent are held on an earnings multiple basis and 54 per cent on a sales multiple basis, and therefore have significant judgement applied to the valuation inputs.

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. The remaining 5 per cent are valued based on net asset value reviewed for change in fair value.

Earnings multiple inputs		Software, IT & Telecoms	Business Services	Manufacturing & Industrial Services	Retail & Brands
2020	PE Multiple Range	16.01 - 29.55	11.65 - 17.96	11.65 - 17.99	11.60
	PE Multiple Weighted Average	26.80	14.72	13.80	11.60
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
2020	Combined PE and/or Marketability Discount Range	36% - 72%	56% - 68%	60% - 72%	72% - 76%
	Combined PE and/or Marketability Discount Weighted Average	65%	62%	64%	74%
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%
Sales multiple inputs		Software, IT & Telecoms	Business Services		
2020	Sales Multiple Range	3.30 - 7.70	3.60		
	Sales Multiple Weighted Average	5.24	3.60		
2019	Sales Multiple Range	3.78 - 7.75	-		
	Sales Multiple Weighted Average	5.55	-		
2020	Combined SM and/or Marketability Discount Range	14% - 70%	56% - 77%		
	Combined SM and/or Marketability Discount Weighted Average	45%	69%		
2019	Combined SM and/or Marketability Discount Range	32% - 68%	-		
	Combined SM and/or Marketability Discount Weighted Average	49%	-		

Notes to the Financial Statements (continued)

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

The standard also requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. Each unquoted portfolio company has been reviewed in order to identify the sensitivity of the valuation methodology to using alternative assumptions. 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 Guidelines (see page 67). 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 £3.47 million or 7.2 per cent lower. Using the upside alternative the value would be increased by £3.53 million or 7.3 per cent.

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 income	89	631	720	-	-	720
Disposal proceeds	(15,148)	(1,740)	(16,888)	(412)	(705)	(18,005)
Net profit (loss) on disposal*	3,114	478	3,592	25	(1)	3,616
Change in fair value	2,017	118	2,135	123	-	2,258
Closing fair value at 31 March 2019	55,341	1,678	57,019	2,494	-	59,513
Closing cost	40,834	984	41,818	2,445	-	44,263
Closing investment holding gain	14,507	694	15,201	49	-	15,250
Closing fair value at 31 March 2019	55,341	1,678	57,019	2,494	-	59,513

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

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

	Net proceeds from sale £000	Cost £000	Opening carrying value as at 1 April 2019 £000	Profit (loss) on disposal £000
Unquoted investments:				
Business Collaborator Limited	7,611	2,010	3,662	3,949
Eikon Holdco Limited	6,314	2,250	2,392	3,922
Harris Hill Holdings Limited	73	105	58	15
Leengate Holdings Limited	1,936	1,074	1,936	-
The Heritage Windows (Holdco) Limited	-	615	-	-
Hutchinson Networks Limited	-	1,320	-	-
Matillion Limited	2,105	620	2,121	(16)
Seven Technologies Holdings Limited	15	15	4	11
Total from unquoted investments	18,054	8,009	10,173	7,881
Quoted investments:				
EKF Diagnostics Holdings plc	370	241	371	(1)
Mattioli Woods plc	603	111	647	(44)
Renalytix plc	144	97	108	36
Volex plc	573	535	552	21
Total from quoted investments	1,690	984	1,678	12
<i>Deferred proceeds:</i>				
Selima Holding Company Ltd	490	-	470	20
Total from quoted and unquoted investments	20,234	8,993	12,321	7,913

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 to 31 March 2019:

	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)
Total from unquoted investments	15,148	7,752	12,034	3,114
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 quoted investments	1,740	379	1,262	478
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 were received over the period to 31 March 2020.

** 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.

Significant Interests

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

At 31 March 2020 the Company held a significant holding of at least 20 per cent of the issued ordinary share capital, either individually or alongside commonly managed funds, in the following companies:

Company	Principal activity	No of shares held by the Company	Percentage of class held by the Company*	Percentage of class held by commonly managed funds*
ACC Aviation Group Limited**	Business Services	220,000	27%	68%
Arcus Global Limited**	Software, IT & Telecomms	456,684	21%	37%
Bagel Nash Group Limited	Manufacturing & Industrial	49,648	7%	40%
Biz2Mobile Limited	Software, IT & Telecomms	3,392,382	16%	26%
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%
Elucidat Ltd	Software, IT & Telecomms	3,452	12%	20%
Friska Limited**	Retail & Brands	116,311	25%	42%
Harris Hill Holdings Limited	Business Services	65,714	10%	36%
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	16%	48%
Macro Art Holdings Limited**	Business Services	150,000	21%	35%
Matillion Limited	Software, IT & Telecomms	2,292,589	5%	11%
NB Technology Services Limited**	Software, IT & Telecomms	3,500	50%	100%
Ncam Technologies Limited**	Software, IT & Telecomms	1,773,125	25%	57%
OC Engineering Services Limited**	Manufacturing & Industrial	3,500	50%	100%
Panintelligence (via Paninsight Limited)	Software, IT & Telecomms	34,068	15%	35%
RMS Group Holdings Limited	Manufacturing & Industrial	153,293	15%	21%
Seven Technologies Holdings Limited	Software, IT & Telecomms	648,842	14%	60%
SH Healthcare Services Limited**	Healthcare	3,500	50%	100%
SharpCloud Software Limited	Software, IT & Telecomms	25,398	15%	30%
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%

Notes to the Financial Statements (continued)

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

Company	Principal activity	No of shares held by the Company	Percentage of class held by the Company*	Percentage of class held by commonly managed funds*
Tonkotsu Limited	Retail & Brands	50,493	18%	38%
Traveltek Group Holdings Limited	Software, IT & Telecomms	41,420	17%	47%
Unbiased EC1 Limited	Business Services	1,161,144	16%	30%
Wakefield Acoustics (via Malvar Engineering Limited)**	Manufacturing & Industrial	74,400	22%	37%
Wooshii Limited	Business Services	664,659	12%	20%

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

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

The amounts shown below are the net cost of investments as at 31 March 2020 and exclude those companies which are in receivership or liquidation.

	British Smaller Companies VCT plc £000	British Smaller Companies VCT2 plc £000	Other commonly managed funds £000	Total £000
ACC Aviation Group Limited	220	145	185	550
Arcus Global Limited	2,925	1,950	-	4,875
Bagel Nash Group Limited	944	630	2,185	3,759
Biz2Mobile Limited	1,658	1,105	-	2,763
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	750	500	250	1,500
EL Support Services Limited	500	500	-	1,000
Elucidat Ltd	2,100	1,400	-	3,500
Frescobol Carioca Limited	1,800	1,200	-	3,000
Friska Limited	2,100	1,400	-	3,500
Harris Hill Holdings Limited	438	-	1,975	2,413
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
Macro Art Holdings Limited	720	480	-	1,200
Matillion Limited	2,046	1,778	635	4,459
NB Technology Services Limited	500	500	-	1,000
Ncam Technologies Limited	2,120	1,413	1,331	4,864

	British Smaller Companies VCT plc £000	British Smaller Companies VCT2 plc £000	Other commonly managed/ advised funds £000	Total £000
OC Engineering Services Limited	500	500	-	1,000
Panintelligence (via Paninsight Limited)	1,500	1,000	1,000	3,500
RMS Group Holdings Limited	180	70	-	250
Seven Technologies Holdings Limited	1,677	1,221	5,546	8,444
SH Healthcare Services Limited	500	500	-	1,000
SharpCloud Software Limited	2,190	1,460	850	4,500
SP Manufacturing Services Limited	500	500	-	1,000
Springboard Research Holdings Limited	2,824	1,883	-	4,707
Sipsynergy (via Hosted Network Services Limited)	1,770	1,309	921	4,000
TeraView Limited	377	377	-	754
Tonkotsu Limited	2,388	1,592	995	4,975
Traveltek Group Holdings Limited	1,716	1,164	2,536	5,416
Unbiased EC1 Limited	2,946	1,964	640	5,550
Wakefield Acoustics (via Malvar Engineering Limited)	1,080	720	-	1,800
Wooshii Limited	2,160	1,440	-	3,600

8. Accrued Income and Other Assets

	2020 £000	2019 £000
Non-current assets:		
Accrued income on financial assets	367	656
Current assets:		
Accrued income on financial assets	200	927
Prepayments	29	96
	229	1,023

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

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

Notes to the Financial Statements (continued)

9. Current Asset Investments and Cash and Cash Equivalents

	2020 £000	2019 £000
Money market funds	2,501	-
Bank deposits that mature after three months but are not immediately repayable	6,970	6,970
Current asset investments	9,471	6,970
Cash and cash equivalents	25,952	14,030
Cash and cash equivalents	25,952	14,030

10. Trade and Other Payables

	2020 £000	2019 £000
Amounts payable within one year:		
Accrued expenses	205	169
	205	169

11. Called-up Share Capital

	2020 Allotted, called-up and fully paid £000	2019 Allotted, called-up and fully paid £000
Ordinary shares of 10 pence Issued: 149,500,037 (2019: 118,332,971) including 11,592,990 shares held in treasury (2019: 7,975,173).	14,950	11,833

The movements in the year were as follows:

		Price pence	Date	Number of shares	Share Capital £000
Total as at 1 April 2019				118,332,971	11,833
Issue of shares	Fundraising	76.00-77.52	1 April 2019	28,400,528	2,840
Issue of shares	Fundraising	76.00-77.52	1 April 2019	369,174	37
Issue of shares	DRIS	68.02	12 June 2019	2,397,364	240
As at 31 March 2020 (including treasury shares)				149,500,037	14,950
As at 31 March 2020 (excluding treasury shares)				137,907,047	

During the year the Company purchased 3,617,817 (2019: 2,750,155) 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 2020 and 31 March 2019.

The movement in the previous year to 31 March 2019 was 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	

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 £88,961,000 (2019: £82,023,000) and 137,907,047 (2019: 110,357,798) 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 2020 and 31 March 2019.

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 153.4 pence per ordinary share (2019: 147.4 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 2020 or 31 March 2019.

15. Related Party Transactions

Fees payable during the year to the directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report on pages 51 to 53. There were no amounts outstanding and due to the directors at 31 March 2020 (2019: £nil).

16. Events after the Balance Sheet Date

There have been no significant events since 31 March 2020.

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.

Notes to the Financial Statements (continued)

17. Financial Instruments (continued)

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

	Other assets £000	2020 Assets at fair value through profit or loss £000	Other assets £000	2019 Assets at fair value through profit or loss £000
Non-current assets at fair value through profit or loss				
Financial assets	-	53,514	-	60,169
Current assets				
Cash and cash equivalents	25,952	-	14,030	-
Cash on fixed term deposit	6,970	-	6,970	-
Current asset investments	2,501	-	-	-
Accrued income on financial assets	6	194	5	922
	35,429	53,708	21,005	61,091
Other assets – not financial instruments	29	-	96	-
	35,458	53,708	21,101	61,091

Liabilities as per balance sheet

	2020 Other financial liabilities £000	2019 Other financial liabilities £000
Trade and other payables	(205)	(169)

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, 9 per cent (2019: 4 per cent) are investment funds listed on the main market of the London Stock Exchange (including FCA authorised and regulated UCITS funds) and nil are quoted on AIM (2019: 3 per cent). A 5 per cent increase in stock prices as at 31 March 2020 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £239,000 (2019: £209,000). 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, 91 per cent are in unquoted companies held at fair value (2019: 93 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 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 £4,390,000 (4.9 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 £4,845,000 (5.4 per cent of net assets). The portfolio's valuation reduced by £14,893,000 (24 per cent) in the three months from 1 January 2020 to 31 March 2020.

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 change in the discount applied would have altered the net assets attributable to the Company's shareholders and the total profit for the year by less than 0.1 per cent of net assets.

The largest single concentration of risk relates to the Company's investment in ACC Aviation Group Limited which constitutes 8.5 per cent (2019: Matillion Limited 10.0 per cent) of the net assets attributable to the Company's shareholders. The Board seeks to mitigate this risk by diversifying the portfolio and monitors the status of all investments on an ongoing basis. The average investment (excluding both those whose value has been reduced to nil and those managed on a discretionary basis by Brewin Dolphin Securities Limited) is 1.9 per cent (2019: 2.0 per cent) of the value of net assets.

Notes to the Financial Statements (continued)

17. Financial Instruments (continued)

Comparison of realised proceeds to unrealised valuations

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

Full disposal	Date of Disposal	Sale Proceeds £000	Valuation £000	Increase (decrease) £000
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	2,811	923	1,888
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
Leengate Holdings Limited	Apr-19	1,936	1,769	167
Eikon Holdco Limited (partial realisation)	Oct-19	6,314	2,250	4,064
Business Collaborator Limited	Mar-20	7,611	3,662	3,949
Other	Nov-10 to Jan-17	123	30	93
		68,976	40,740	28,236

Interest Rate Risk

The Company's venture capital investments include £8,292,000 (2019: £13,361,000) of loan stock in unquoted companies. The majority of this loan stock at 31 March 2020 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 (2019: £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.

	2020			2019		
	£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	15,150	6.7	24	20,384	8.6	25
Cash on fixed term deposit	6,970	0.8	3	6,970	1.4	2
Combined	22,120	4.9	17	27,354	6.7	19

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 Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets excluding equity investments total £56,679,000 (2019: £46,362,000) 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 Manager 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, cash on fixed term deposit and money market funds. 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. The banks used by the Company are large and reputable. Should the credit quality or the financial position of the banks deteriorate significantly the Manager 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 Manager 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:

	2020 £000				2019 £000			
	<1 year	1-2 years	2-5 years	>5 years	<1 year	1-2 years	2-5 years	>5 years
Unquoted loan investments	4,940	1,860	933	559	4,563	3,765	3,212	1,821

Notes to the Financial Statements (continued)

17. Financial Instruments (continued)

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

	2020 £000 0-6 months	2019 £000 0-6 months
Loans to investee companies past due	1,800	4,041

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, money market funds 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 money market funds 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 Manager 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 37.4 per cent (2019: 20.1 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.

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 2020 was £88.96 million (2019: £82.02 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.

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 10 September 2020 at 9:30 am for the following purposes:

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

Ordinary Resolutions

- (1) That the annual report and accounts for the year ended 31 March 2020 be received.
- (2) That the Directors' Remuneration Report for the year ended 31 March 2020 be approved other than the part of such report containing the Directors' Remuneration Policy.
- (3) That the Directors' Remuneration Policy for the year ended 31 March 2020 contained in the Directors' Remuneration Report for the year ended 31 March 2020 be approved.
- (4) That Ms H Sinclair be re-elected as a director.
- (5) That Mr R Cook be re-elected as a director.
- (6) That Mr A C N Bastin be re-elected as a director
- (7) That Mr J H Cartwright be re-elected as a director
- (8) 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.
- (9) 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.

- (10) That, in addition to the authority granted to the directors pursuant to resolution 10 at the Annual General Meeting of the Company held on 22 July 2014, the directors of the Company, be and are hereby authorised, pursuant to article 166 of the Company's articles of association, to extend their ability to offer holders of shares in the Company, pursuant to the Company's dividend re-investment scheme, the right to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part to be determined by the directors) of all or any dividend declared during the period commencing on 1 January 2021 and ending at the commencement of the Annual General Meeting in 2023.

Special Resolutions

- (11) 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 9 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 9 above" were omitted.

Notice of the Annual General Meeting (continued)

- (12) That in substitution for any existing authority but without prejudice to the exercise of any such power prior to the date hereof, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 693(4) of the Act of ordinary shares of 10 pence in the capital of the Company provided that:
- The maximum aggregate number of ordinary shares that may be purchased is 20,672,266 being 14.99 per cent of the issued ordinary shares (excluding treasury shares) as at 24 June 2020;
 - The maximum price (excluding expenses) which may be paid for an ordinary share is an amount equal to the maximum amount permitted to be paid in accordance with rules of the UK Listing Authority in force as at the date of purchase;
 - The minimum price (excluding expenses) which may be paid for an ordinary share is its nominal value;
 - This authority shall take effect from 10 September 2020 and shall expire at the conclusion of the Company's Annual General Meeting in 2023 or on 10 September 2023, whichever is the later; and
 - The Company may make a contract or contracts to purchase ordinary shares under this authority before the expiry of the authority, which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract or contracts.
- (13) That the articles of association produced to the Annual General Meeting, and for the purposes of identification initialled by the Chairman of the Company, be adopted as the articles of association of the Company.*

By order of the Board

The City Partnership (UK) Limited
Company Secretary
24 June 2020

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.

* See page 42 of the Annual Report

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 notorially 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 9:30 am on 8 September 2020 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.
- (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 8 September 2020 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 8 September 2020 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 24 June 2020 the Company's issued share capital comprised 137,907,047 ordinary shares of 10 pence each with a further 11,592,990 shares held in treasury. Those treasury shares represented 7.8 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 24 June 2020 was 137,907,047.
- (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.

Notice of the Annual General Meeting (continued)

- (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 10 September 2020 at 9:30 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 10 September 2020 at 9:30 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	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Directors' Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the Directors' Remuneration Policy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Ms H Sinclair as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr R Cook as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr A C N Bastin as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-elect Mr J H Cartwright as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To re-appoint BDO LLP as auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the directors to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To continue the dividend re-investment scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolutions			
11. To waive pre-emption rights in respect of the allotment of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. To authorise the Company to make purchases of its own shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. To approve the revised articles of association	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature

Dated

2020

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.

Form of Proxy (continued)

NOTES

1. The Notice of the Annual General Meeting is set out on pages 91 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.

Advisers to the Company

Manager

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

150 Aldersgate Street
London
EC1A 4AB

VCT Status Adviser

Philip Hare & Associates LLP

Hamilton House
1 Temple Avenue
London
EC4Y 0HA

Bankers

Santander UK plc

44 Merrion Street
Leeds
LS2 8JQ

Company Secretary

The City Partnership (UK) Limited

110 George Street
Edinburgh
EH2 4LH

Promoter

RAM Capital Partners LLP

4 Staple Inn
London
WC1V 7QH

Registered Offices of Significant Holdings

ACC Aviation Group Limited:

Belgrave House, 39-43 Monument Hill,
Weybridge, Surrey, KT13 8RN

Arcus Global Limited:

Future Business Centre,
Kings Hedges Road, Cambridge,
Cambridgeshire, CB4 2HY

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

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 (via Hosted Network Services 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



British Smaller Companies VCT plc

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bscfunds.com

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