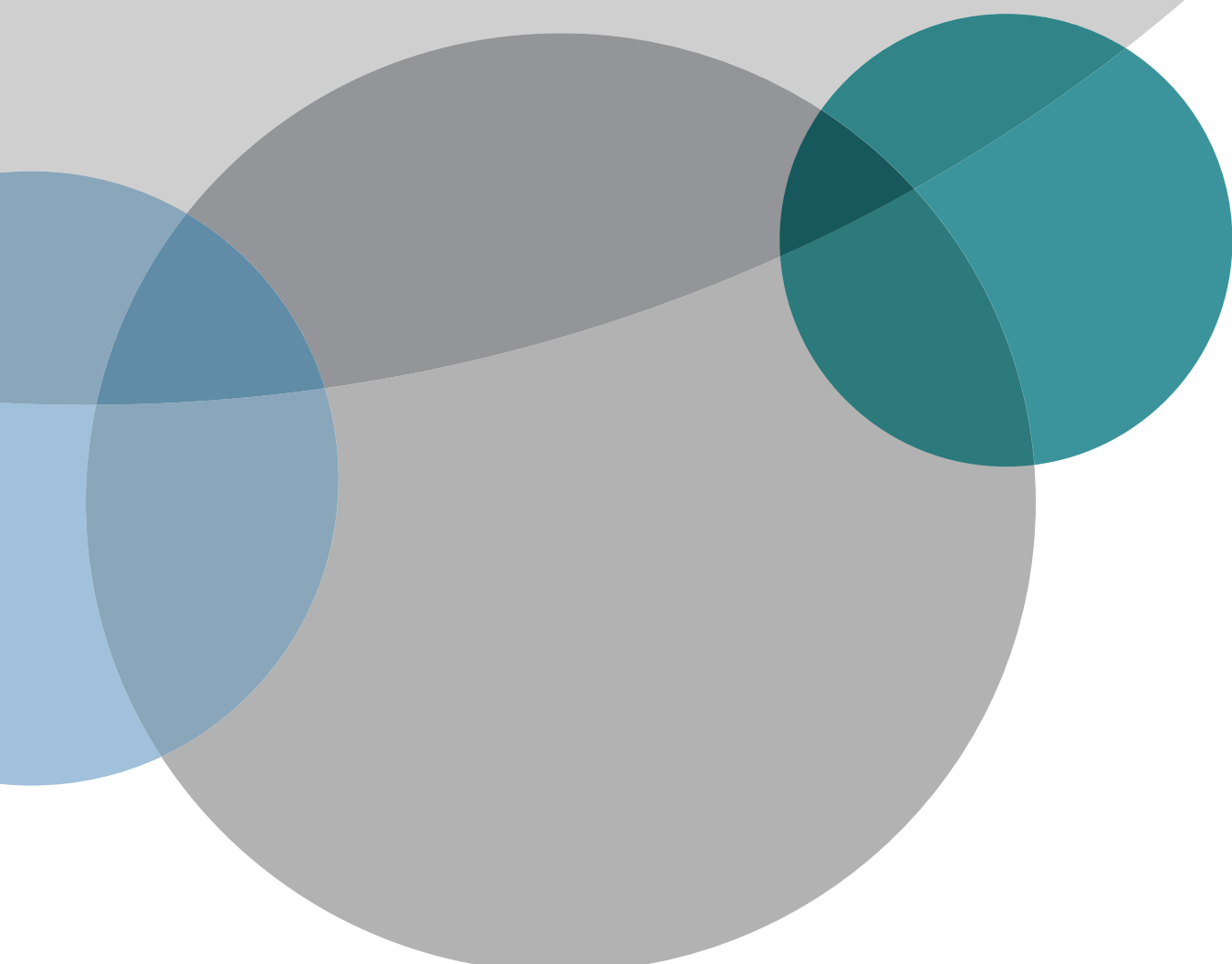




# British Smaller Companies VCT plc

## Annual Report

for the year ended 31 March 2021



[bscfunds.com](https://bscfunds.com)

Transforming small businesses

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# About us

British Smaller Companies VCT plc was formed in 1996 and has a diverse portfolio of investments which reduces the exposure to particular markets and individual companies. The investment portfolio has a valuation of £73.9 million as at 31 March 2021.

Registered Number:  
**03134749**



Discover more about  
British Smaller Companies VCT plc  
[www.bscfunds.com](http://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 strategy of the Company is to invest in UK businesses across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.

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

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

## Share Buy-Backs

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

## Dividend Re-Investment Scheme (“DRIS”)

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

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

# Financial Spotlights

## TOTAL RETURN<sup>1</sup>

**233.2p**

↑ 15.3p

### Increased by 15.3 pence per ordinary share

Since 31 March 2020 your Company's Total Return has increased by 15.3 pence, from 217.9 to 233.2 pence per ordinary share, which includes cumulative dividends paid of 157.4 pence per ordinary share. The increase is equivalent to an annualised return of 24.6 per cent of the opening net asset value.

## INVESTMENT GROWTH<sup>1</sup>

**46%**

**£22.2m**

The investment portfolio saw an underlying gain (including realisations) of £22.2 million, which represents an increase of 46 per cent over its opening value.

## DIVIDENDS FOR THE YEAR

**4.0p**

**Total Dividends**

Total dividends paid during the year ended 31 March 2021 were 4.0 pence per ordinary share, which equates to 6.2 per cent of the opening net asset value per ordinary share.

## REALISATION PROCEEDS

**£2.5m**

**in the year**

Realisations of investments and loan repayments generated total proceeds of £2.5 million in the year, a gain of £1.7 million over the opening carrying value and £0.8 million over cost.

## FUNDRAISING

**£6.8m**

**2020/21**

A fully subscribed offer raised net proceeds of £6.8 million for which shares were allotted in March 2021.

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 63) 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 2021	Year ended 31 March 2020	Year ended 31 March 2019	Year ended 31 March 2018	Year ended 31 March 2017
Income £000	<b>4,074</b>	1,517	2,299	2,339	2,813
Profit (loss) before and after taxation £000	<b>21,339</b>	(5,091)	6,405	3,364	4,529
Net assets attributable to ordinary shares £000	<b>110,360</b>	88,961	82,023	86,137	88,072
Profit (loss) per ordinary share	<b>15.38p</b>	(3.64p)	5.88p	3.10p	4.65p
Dividends per ordinary share paid in the year	<b>4.0p</b>	6.0p	11.0p	5.75p	22.0p
Net asset value per ordinary share	<b>75.8p</b>	64.5p	74.3p	79.6p	82.3p
Total Return per ordinary share <sup>1</sup>	<b>233.2p</b>	217.9p	221.7p	216.0p	213.0p
Increase (decrease) in Total Return per ordinary share <sup>1</sup>	<b>15.3p</b>	(3.8p)	5.7p	3.0p	4.3p
Annualised Return <sup>1</sup>	<b>24.6%</b>				
Cumulative 3 year increase in Total Return per ordinary share <sup>1</sup>	<b>17.2p</b>				
Annualised 3 year Return <sup>1</sup>	<b>7.9%</b>				
Cumulative 5 year increase in Total Return per ordinary share <sup>1</sup>	<b>24.5p</b>				
Annualised 5 year Return <sup>1</sup>	<b>6.2%</b>				

1. These are Alternative Performance Measures. The Board considers Total Return to be the primary measure of shareholder value. The annualised return comprises the cumulative dividends paid plus the unaudited NAV at 31 March 2021.

## Financial Calendar

Results Announced	<b>15 June 2021</b>
Ex-dividend date	<b>24 June 2021</b>
Record date	<b>25 June 2021</b>
DRIS election date	<b>9 July 2021</b>
Dividend paid	<b>23 July 2021</b>
Annual General Meeting	<b>10 September 2021</b>

# Your Company's Portfolio







# Chairman's Statement

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

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



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

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

## Realisations in the Year

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

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



## New Investments

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

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

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

## Financial Results

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

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

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

## Chairman's Statement (continued)

### SHAREHOLDER RELATIONS

#### Annual General Meeting 10 September 2021

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

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

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

As at 31 March 2021, over two thirds of the portfolio's value now comprises investments that have been made since November 2015. The significant majority of these have been funded with equity instruments where the returns are capital in nature generating little or no income which is reflected in the income statement on page 63: excluding the ordinary dividend of £2.90 million received from ACC Aviation, income fell to £1.18 million, compared to £1.52 million in the previous financial year and £2.30 million in 2019.

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

#### Dividends

Dividends paid in the year totalled 4.0 pence per ordinary share. These comprised interim dividends of 4.0 pence per ordinary share for the year ended 31 March 2021. Cumulative dividends paid as at 31 March 2021 were 157.4 pence per ordinary share.

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

#### Dividend Re-investment Scheme ("DRIS")

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

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

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

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

#### Liquidity and Fundraising

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

#### Shareholder Relations

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

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

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

We also had to change our plans for the Investor Workshop and held a webinar version on 14 December 2020 in conjunction with British Smaller Companies VCT 2 plc. The webinar, which was attended by over 300 shareholders, included presentations from Business Collaborator, a recent company exit, and Wooshii, a recent investment, along with presentations by members of the Manager. Due to the continuing lockdown restrictions there will be an Investor Workshop webinar on 25 June 2021.

### Post Balance Sheet Events

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

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

### Outlook

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

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

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

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



**Helen Sinclair**  
Chairman

15 June 2021

# Objectives and Key Policies

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

## Investment Policy

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

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

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

## Borrowing

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

## Co-investment

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

## Asset mix

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

## Remuneration Policy

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

## 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 corruption and environmental and social responsibilities policies can be found on page 38.

# Processes and Operations

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

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

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

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

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

## Performance Incentive

The Manager is also entitled to receive an amount equivalent to 20 per cent of the amount by which Total Return (net assets per ordinary share plus cumulative dividends per ordinary share) exceeds an agreed target, which increases annually. Further details on how the incentive is calculated are set out in note 3 to the financial statements on page 74.

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.

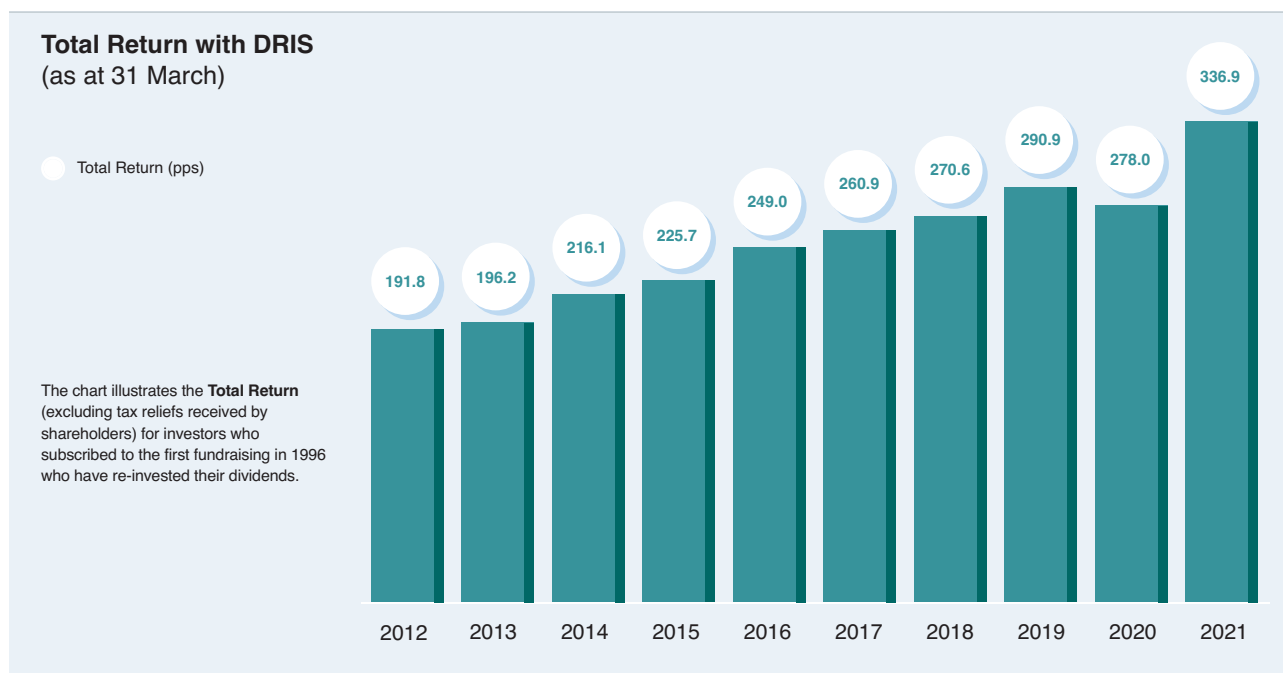
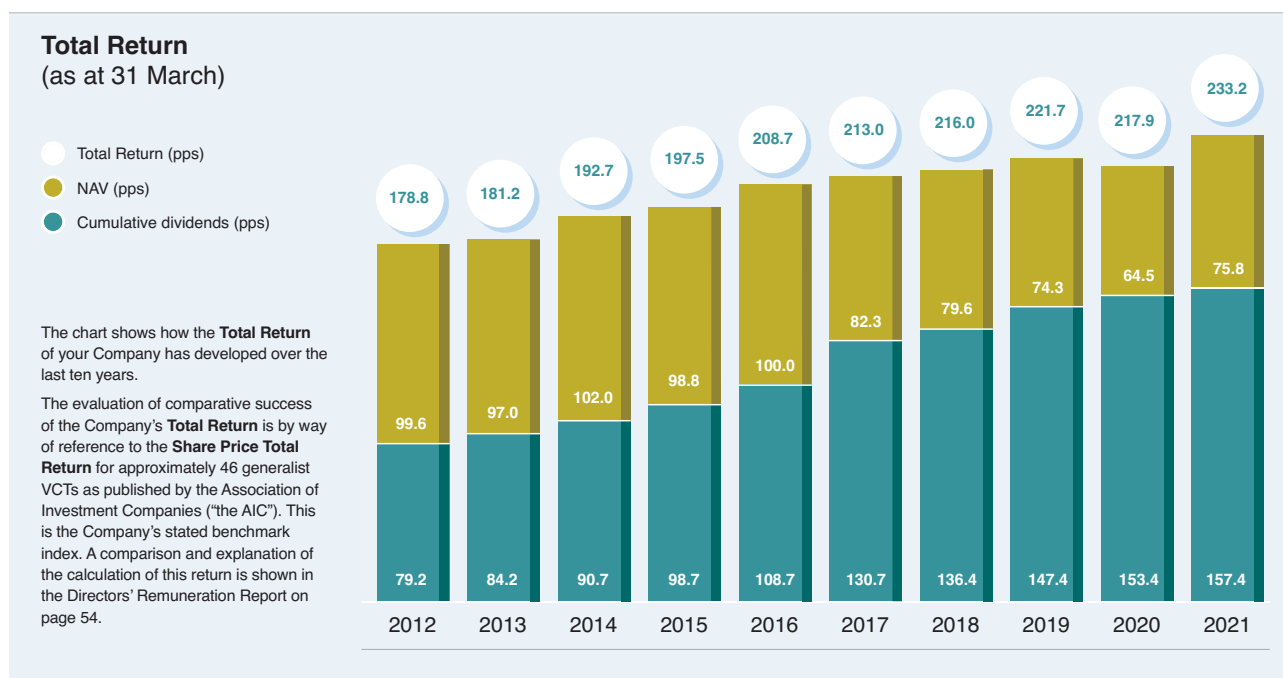
## Administration of the Money Market Funds

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<sup>(i)</sup>**, 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.

(i) Total Return is net of ongoing charges and other costs.



## Shareholder Returns Excluding all Tax Reliefs

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

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

### Notes

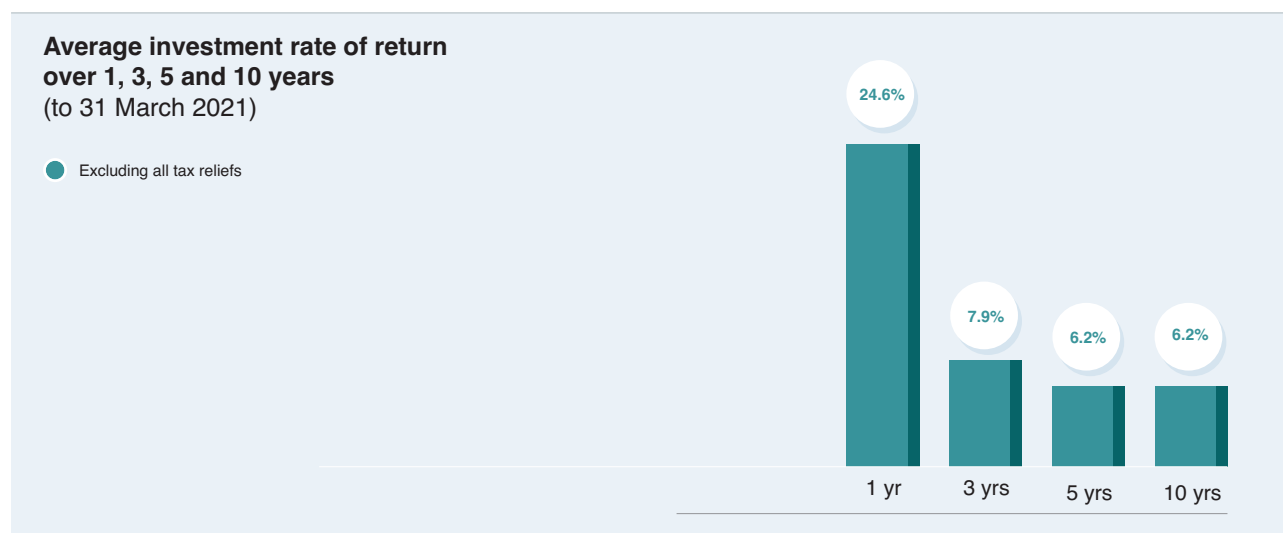
- Total Return to date is cumulative dividends paid plus the 31 March 2021 net asset value in pence per ordinary share.
- The offer price for the relevant year excluding the benefit of income tax relief available to investors at the time of the offer.
- IRR is the unaudited annual rate of return that equates the offer price at the date of the original investment with the value of subsequent dividends plus the 31 March 2021 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.

The IRRs shown above are based on fundraisings and offer prices during the relevant calendar year whilst the following graph on page 14 shows IRRs over specific financial periods to 31 March 2021.



## Key Performance Indicators (continued)

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



### Expenses

#### Ongoing Charges

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

	Year to 31 March 2021 (%)	Year to 31 March 2020 (%)
Ongoing Charges figure	<b>2.10</b>	2.16

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

#### Expenses Cap

The total costs incurred by the Company in the year (excluding any performance related fees, trail commission payable to financial intermediaries and

VAT) is capped at 2.9 per cent of the total net asset value as at the relevant year end. The treatment of costs in excess of the cap is described in note 3 on page 74. There was no breach of the expenses cap in the current or prior year.

#### Compliance with VCT Legislative Tests

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

Under Chapter 3 Part 6 of the Income Tax Act 2007, in addition to the requirement for a VCT's ordinary share capital to be listed in the Official List on a European regulated market throughout the period, there are further specific tests that VCTs must meet following the initial three year provisional period.

#### Income Test

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

### *Retained Income Test*

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

### *Qualifying Holdings Test*

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

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

### *Eligible Shares Test*

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

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

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

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

### *Investment Limits*

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

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

### *Maximum Single Investment Test*

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

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

Further restrictions placed on VCTs are:

### **Dividends from Cancelled Share Premium**

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

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

### **Other**

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

- a. the business has previously received an investment from a source that has received state aid; or
- b. the investment comprises more than 50 per cent of the average of the previous five years' turnover and the funds are to be used in the business to fund growth into new product markets and/or new geographies.

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

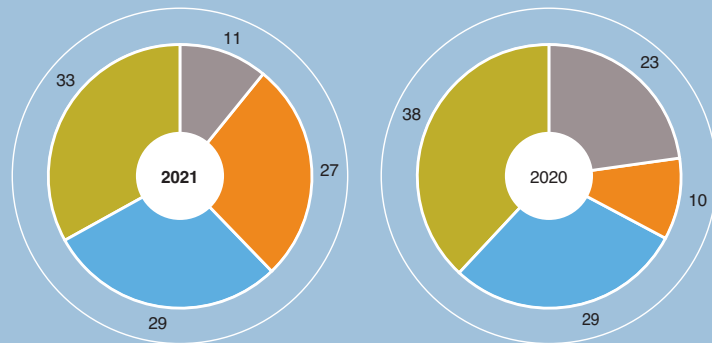
# Portfolio Structure and Analysis

## Portfolio Structure

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

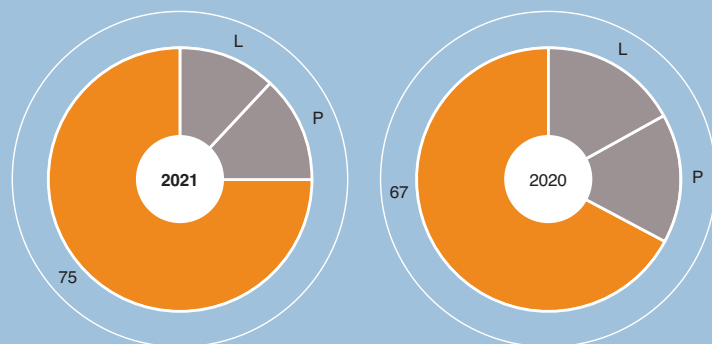
### AGE OF INVESTMENTS (%)

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



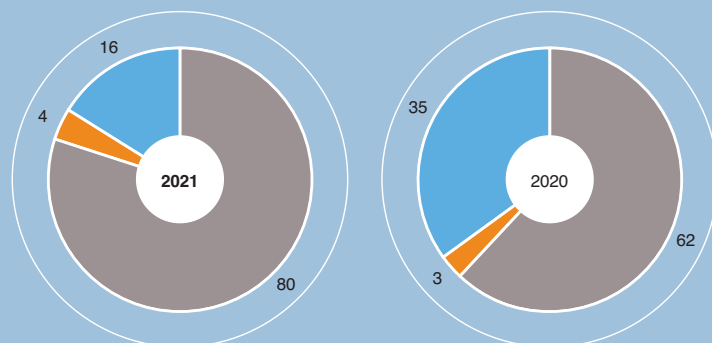
### INVESTMENT INSTRUMENT (%)

- L Loan
  - P Preference shares
  - Ordinary shares
- } 2021 - 25%  
2020 - 33%



### VALUE COMPARED TO COST (%)

- Value above cost
- At cost
- Value below cost

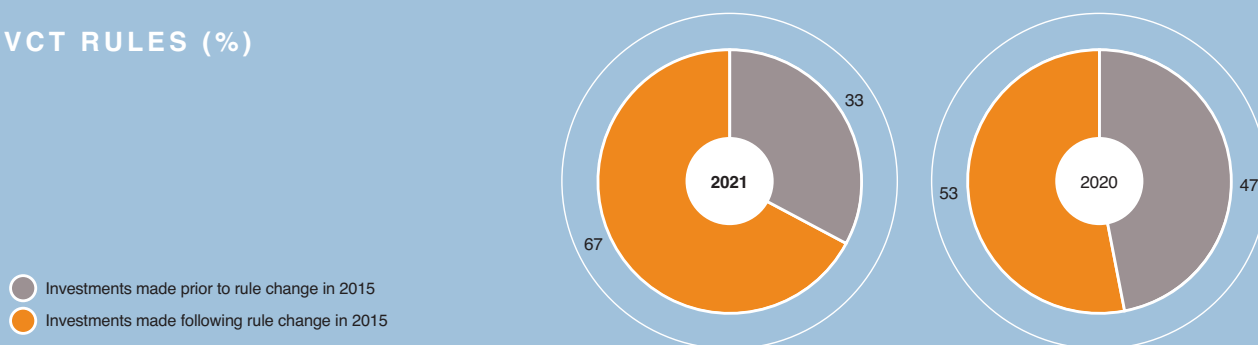


## Portfolio Analysis

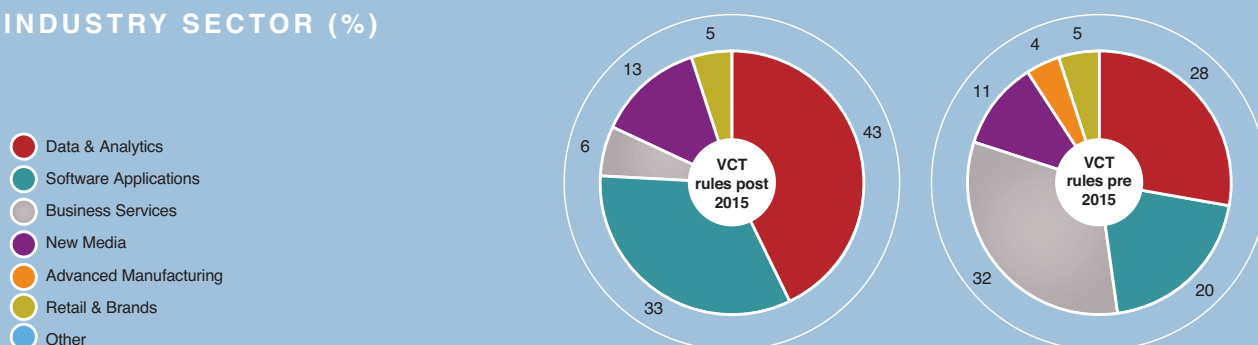
Also included below is a profile of the portfolio by industry sector and the breakdown of the portfolio between investments made before and after the VCT rule changes in 2015.

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

### VCT RULES (%)



### INDUSTRY SECTOR (%)



# Investment Review

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

## Your Portfolio

<p><b>£22.2 million</b></p> <p><b>Return from portfolio</b></p> <p>(2020: £4.0 million loss)</p>	<p><b>£73.9 million</b></p> <p><b>Fair value of the portfolio</b></p> <p>(2020: £48.4 million)</p>	<p><b>21</b></p> <p><b>Number of portfolio companies with a value of more than £1.0 million</b></p> <p>(2020: 16)</p>	<p><b>£1.1 million*</b></p> <p><b>Income from the portfolio</b></p> <p>(2020: £1.3 million)</p>	<p><b>£8.5 million</b></p> <p><b>Level of investment</b></p> <p>(2020: £15.0 million)</p>
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\* excluding ordinary dividend of £2.90 million received from ACC Aviation.

The underlying increase in the portfolio was £22.19 million, as shown in Table A on page 19. Of this increase, the Company received a dividend of £2.90 million from ACC Aviation, which was recorded as income and shown in the net income after expenses. The portfolio delivered a value gain of £20.45 million, with strong performances from Matillion, Springboard, Arcus Global, DisplayPlan, Deep-secure, SharpCloud, Unbiased, Frescobol Carioca and Elucidat. Matillion benefited from continued strong growth and, despite largely serving the retail sector, Springboard saw increased demand for footfall data. Arcus benefited from the disposal of a non-core division, DisplayPlan saw higher demand from FMCG customers and Deep-secure delivered a record year.

The uplifts were offset by the impact of challenging trading conditions from those businesses serving the

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

An analysis of the movements in the year is shown on page 27.

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

**Table A**  
**Investment Portfolio**

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

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

### Other Significant Investment Movements

#### Investments

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

**Table B**  
**Investments**

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

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

## Investment Review (continued)

### Disposal of Investments

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

**Table C**  
**Disposal of Investments**

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

Further analysis of all investments sold in the year can be found in note 7 to the financial statements on page 81.

### Portfolio Composition

As at 31 March 2021 the portfolio had a value of £73.91 million comprising wholly of unquoted investments. An analysis of the movements in the year is shown on page 27.

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

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

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

Under the revised VCT legislation it is no longer possible to deposit funds for longer than seven days which means that cash deposits must be available on very

short notice. The Board and the Manager continually review opportunities to generate a higher level of income, without significantly changing the risk profile of the funds held.

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

### Valuation Policy

Unquoted investments are valued in accordance with the valuation policy set out in note 1 on pages 69 and 70, which takes account of current industry guidelines for the valuation of venture capital portfolios. The December 2018 update to the IPEVC Guidelines discourages the use of cost or price of a recent investment as a primary basis for valuation. As a result the policy is to use the recent round basis for the first quarter date immediately following the round, but then switch to a new primary basis for all subsequent periods. This change has in fact had little impact on the portfolio's valuation as we have calibrated the valuation basis used to the recent investment round. We would only expect significant



adjustments to recent investment values where an investment is significantly under- or over-performing. In addition to the December 2018 update of the Guidelines the Company has followed the IPEVC's Special Valuation Guidance issued in March 2020 in response to the impact of the coronavirus pandemic.

As at 31 March 2021 the value of investments falling into each valuation category is shown in Table D.

With continued investment in younger businesses that are investing for growth a higher proportion of valuations are based on a multiple of Revenue.

**Table D**  
**Valuation Policy**

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

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

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

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

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



Grow our economy



Improve our society



Value their people



Protect the environment

## Investment Review (continued)

### Sustainable Investment Principles

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

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

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

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

#### > Pre-investment Phase

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

#### > Portfolio Phase

For those investments made in 2020, based on the data collected at the point of investment at the start of the portfolio phase, bespoke areas for improvement are agreed with each management team together with consequent objectives and targets. A similar process has been applied to the significant majority of investments made prior to

2020. Improvements are then measured and recorded against a set of ESG criteria using the Manager's bespoke ESG framework, refreshing targets annually and placing focus on any new issues as they become more material in the management of the company and in meeting the expectations of its stakeholders.

#### > Reporting

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

### ESG performance data and reporting

#### *ESG KPI data analysis*

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

#### *Annual company specific ESG performance progress report*

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

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

## 2020 ESG KPI report



### *Growing our economy*

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



### *Improving our society*

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



### *Valuing people*

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



### *Protecting our environment*

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

## Summary and Outlook

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

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

**David Hall**  
YFM Private Equity Limited

15 June 2021

# Case Studies



**AMOUNT INVESTED BY THE COMPANY**

£2.40 million

**THE BUSINESS AT INVESTMENT**

An online marketing tool that allows the in-house creation and delivery of personalised email marketing campaigns.

**THE INVESTMENT**

Growth funding for lead generation, increased sales resource and product development.

**RATIONALE FOR THE DEAL**

Excellent product functionality comparable to much larger players, with good opportunity to take market share in the underdeveloped UK mid-market.

# Force24™

Welcome to Yorkshire  
yorkshire.com







**AMOUNT INVESTED BY THE COMPANY**

£2.05 million

**THE BUSINESS AT INVESTMENT**

Disruptive software helping companies to create data transformation in the cloud

**THE INVESTMENT**

Growth capital for product development and sales resource

**RATIONALE FOR THE DEAL**

Build new sales channels and develop the product for other cloud data warehouses

**SINCE INVESTMENT**

Products now available across multiple cloud data warehouses. Subsequent fundraising rounds have brought several well established US tech investors on board.



# Portfolio Summary

at 31 March 2021

Page No	Name of company	Date of initial investment	Location	Industry Sector	Current cost £000	Valuation at 31 March 2021 £000	Proceeds to date £000	Realised & unrealised value to date* £000
29	Matillion Limited	Nov-16	Manchester	Data & Analytics	2,046	15,658	2,105	17,763
29	Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	May-14	Alloa	Business Services	2,934	4,698	-	4,698
30	Springboard Research Holdings Limited	Oct-14	Milton Keynes	Data & Analytics	2,733	4,180	180	4,360
30	Deep-Secure Ltd	Dec-09	Malvern	Software Applications	1,000	4,121	-	4,121
30	Unbiased EC1 Limited	Dec-19	London	Software Applications	2,946	4,026	-	4,026
31	Elucidat Ltd	May-19	Brighton	Software Applications	2,700	3,587	-	3,587
31	ACC Aviation Group Limited**	Nov-14	Reigate	Business Services	220	3,298	1,848	5,146
31	Arcus Global Limited	May-18	Cambridge	Software Applications	2,925	3,124	-	3,124
32	Force24 Ltd	Nov-20	Leeds	Software Applications	2,400	2,902	-	2,902
32	DisplayPlan Holdings Limited	Jan-12	Stevenage	New Media	130	2,742	1,521	4,263
32	KeTech Enterprises Limited	Nov-15	Nottingham	Data & Analytics	1,500	2,725	500	3,225
33	SharpCloud Software Limited	Oct-19	London	Data & Analytics	2,190	2,720	-	2,720
33	Wooshii Limited	May-19	London	New Media	2,160	2,617	-	2,617
33	Arraco Global Markets Limited	Dec-20	London	Business Services	2,250	2,297	-	2,297
	Ncam Technologies Limited	Mar-18	London	New Media	2,381	2,229	-	2,229
	Tonkotsu Limited	Jun-19	London	Retail & Brands	2,388	1,551	-	1,551
	Outpost VFX Limited	Feb-21	Bournemouth	New Media	1,500	1,500	-	1,500
	Vypr Validation Technologies Limited	Jan-21	Manchester	Data & Analytics	1,500	1,500	-	1,500
	Sipsynergy (via Hosted Network Services Limited)	Jun-16	Hampshire	Software Applications	1,770	1,470	-	1,470
	Panintelligence (via Paninsight Limited)	Nov-19	Leeds	Data & Analytics	1,500	1,125	-	1,125
	Traveltek Group Holdings Limited	Oct-16	East Kilbride	Software Applications	1,716	1,111	-	1,111
	Frescobol Carioca Ltd	Mar-19	London	Retail & Brands	1,800	907	-	907
	Other investments £0.75 million and below				12,265	3,817	8,598	12,415
	<b>Total investments</b>				<b>54,954</b>	<b>73,905</b>	<b>14,752</b>	<b>88,657</b>
	Full disposals to date				56,282	-	107,558	107,558
	<b>Total portfolio</b>				<b>111,236</b>	<b>73,905</b>	<b>122,310</b>	<b>196,215</b>

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

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

# Summary of Portfolio Movement

since 31 March 2020

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



# Investee Company Information



Data & Analytics



Software Applications



Business Services



New Media



Retail and Brands



Advanced Manufacturing



Other



## Portfolio

This section describes the business of the top 14 companies in the portfolio in order of valuation at 31 March 2021.

### 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.

[www.matillion.com](http://www.matillion.com)



Cost:	£2,046,000
Valuation:	£15,658,000
Date of initial investment:	November 2016
Equity held:	3.8%
Valuation basis:	Revenue multiple



Year ended 31 December	2019 \$million	2018 \$million
Revenue	<b>16.05</b>	9.81
LBITA	<b>(16.43)</b>	(5.47)
Loss before tax	<b>(15.53)</b>	(4.71)
Retained losses	<b>(24.83)</b>	(9.14)
Net assets	<b>33.18</b>	14.08

### 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.

[www.intelligentofficeuk.com](http://www.intelligentofficeuk.com)

**IntelligentOffice**<sup>UK</sup>

Cost:	£2,934,000
Valuation:	£4,698,000
Date of initial investment:	May 2014
Equity held:	26.7%
Valuation basis:	Earnings multiple
Interest:	£58,973 (2020 £59,135)
Dividends:	£91,090 (2020 £91,591)



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

## Springboard Research Holdings Limited

Milton Keynes



Springboard Research is the leading provider of performance insights for the retail industry across Europe and North America. The company has seen a significant increase in usage of its products as the industry reacts to the new retail environment created by Covid-19.

[www.spring-board.info](http://www.spring-board.info)



Cost:	£2,733,000
Valuation:	£4,180,000
Date of initial investment:	October 2014
Equity held:	19.4%
Valuation basis:	Revenue multiple
Interest:	£130,001 (2020 £125,695)
Dividends:	£88,704 (2020 £88,947)

Year ended 31 December	2019 £million	2018 £million
Revenue	<b>6.34</b>	5.35
EBITA	<b>0.50</b>	0.34
Loss before tax	<b>(0.70)</b>	(0.81)
Retained losses	<b>(3.46)</b>	(2.82)
Net (liabilities) assets	<b>(0.33)</b>	0.31

## 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](http://www.deep-secure.com)

Cost:	£1,000,000
Valuation:	£4,121,000
Date of initial investment:	December 2009
Equity held:	16.0%
Valuation basis:	Revenue multiple
Interest:	£108,000 (2020 £108,296)

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



## 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.

[www.unbiased.co.uk](http://www.unbiased.co.uk)

Cost:	£2,946,000
Valuation:	£4,026,000
Date of initial investment:	December 2019
Equity held:	15.9%
Valuation basis:	Revenue multiple

Year ended 30 September	2020 £million	2019 £million
Revenue	<b>5.02</b>	4.02
(LBITA) EBITA	<b>(0.83)</b>	0.20
(Loss) profit before tax	<b>(1.10)</b>	0.06
Retained (losses) profits	<b>(0.96)</b>	0.23
Net (liabilities) assets	<b>(0.96)</b>	0.23

Accounts for the trading company Unbiased Limited are shown.



**Elucidat Ltd**  
Brighton

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

[www.elucidat.com](http://www.elucidat.com)



Cost: £2,700,000  
Valuation: £3,587,000  
Date of initial investment: May 2019  
Equity held: 12.2%  
Valuation basis: Revenue multiple  
Interest: £8,712 (2020 £nil)

Year ended 31 December	2019* £million	2019** £million
Revenue	1.42	2.08
(LBITA) EBITA	(0.24)	0.12
(Loss) profit before tax	(0.39)	0.08
Retained (losses) profits	(0.38)	-
Net assets	3.14	3.53

\*7 months to 31 December 2019. \*\*unaudited 12 months to 31 May 2019

**ACC Aviation Group Limited**  
Reigate

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

[www.accaviation.com](http://www.accaviation.com)



Cost: £220,000  
Valuation: £3,298,000  
Date of initial investment: November 2014  
Equity held: 27.6%  
Valuation basis: Earnings multiple  
Dividends: £2,897,000 (2020 £nil)

Year ended 31 December	2019 £million	2018* £million
Revenue	175.90	130.71
EBITA	9.09	9.25
Profit before tax	9.27	7.92
Retained profits	8.04	1.09
Net assets	26.21	17.65

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

**Arcus Global Limited**  
Cambridge

Arcus Global provides cloud software tools for the public sector, enabling customers to transform end-to-end service delivery in key areas such as digital transaction, planning, building control, regulatory services and waste management.

[www.arcusglobal.com](http://www.arcusglobal.com)



Cost: £2,925,000  
Valuation: £3,124,000  
Date of initial investment: May 2018  
Equity held: 21.1%  
Valuation basis: Revenue multiple

Year ended 30 June	2020 £million	2019 £million
Revenue	9.43	8.62
LBITA	(0.93)	(1.45)
Loss before tax	(1.27)	(2.67)
Retained losses	(8.23)	(7.79)
Net liabilities	(1.77)	(1.36)

### Force24 Ltd

Leeds

Force24 provides cloud-based marketing automation technology trusted by over 300 businesses including household brands such as Michelin, Tarmac and Children In Need to deliver personalised marketing campaigns.

[www.force24.co.uk](http://www.force24.co.uk)



Cost:	£2,400,000
Valuation:	£2,902,000
Date of initial investment:	November 2020
Equity held:	17.1%
Valuation basis:	Revenue multiple



Year ended 31 December	2019 £million	2018 £million
Revenue	<b>2.99</b>	2.11
EBITA	<b>0.06</b>	0.07
Profit before tax	<b>0.81</b>	0.97
Retained profits	<b>0.63</b>	0.78
Net assets	<b>0.82</b>	0.98

### DisplayPlan Holdings Limited

Stevenage

DisplayPlan specialises in creating and delivering permanent in-store 'point of purchase' display and fixtures. It provides a complete retail display consultancy service from concept through to design, sourcing and final installation. Clients include M&S, Sainsburys and Nike.

[www.displayplan.com](http://www.displayplan.com)



Cost:	£130,000
Valuation:	£2,742,000
Date of initial investment:	January 2012
Equity held:	22.8%
Valuation basis:	Earnings multiple
Dividends:	£113,750 (2020 £34,125)



Year ended 31 December	2019 £million	2018 £million
Revenue	<b>14.78</b>	11.07
EBITA (LBITA)	<b>0.63</b>	(0.22)
Profit (loss) before tax	<b>0.46</b>	(0.39)
Retained profits	<b>5.85</b>	5.47
Net assets	<b>6.25</b>	5.87

### KeTech Enterprises Limited

Nottingham

KeTech specialises in the provision of enhanced, real-time information systems for transport operators and passengers. It offers a range of products including train safety and passenger information systems. Clients include mainline train operators and London Underground.

[www.ketech.com](http://www.ketech.com)



Cost:	£1,500,000
Valuation:	£2,725,000
Date of initial investment:	November 2015
Equity held:	15.8%
Valuation basis:	Earnings multiple
Interest:	£87,857 (2020 £80,104)
Dividends:	£48,168 (2020 £48,432)



Year ended 31 August	2020 £million	2019 £million
Revenue	<b>5.43</b>	6.01
EBITA	<b>0.87</b>	1.06
Profit before tax	<b>0.30</b>	0.82
Retained profits	<b>0.17</b>	0.67
Net assets	<b>0.67</b>	0.90

## SharpCloud Software Limited

London

SharpCloud provides a leading visual business collaboration platform for managers. It offers a product that provides top-down insight and the ability to aggregate fragmented data. The company has an impressive client list including many blue chip companies and government organisations.

[www.sharpcloud.com](http://www.sharpcloud.com)



Cost:	£2,190,000
Valuation:	£2,720,000
Date of initial investment:	October 2019
Equity held:	14.6%
Valuation basis:	Revenue multiple

Year ended 31 December	2019* £million	2018* £million
Revenue	1.24	0.83
LBITA	(0.69)	(0.08)
Loss before tax	(0.74)	(0.13)
Retained losses	(0.87)	(0.18)
Net assets (liabilities)	3.12	(0.16)

\* Unaudited

## Wooshii Limited

London

Wooshii is a global video production agency using technology to manage a geographically distributed network of creative professionals. The company offers clients the convenience and quality of a traditional agency combined with cutting edge video management tools. It has an impressive client list including Coca Cola, Google, Microsoft and Amazon.

[www.wooshiivideoagency.com](http://www.wooshiivideoagency.com)



Cost:	£2,160,000
Valuation:	£2,617,000
Date of initial investment:	May 2019
Equity held:	12.0%
Valuation basis:	Revenue multiple
Dividends:	£97,200 (2020 £84,950)

Year ended 31 March	2020* £million	2019* £million
Revenue	2.18	1.49
LBITA	(1.73)	(0.42)
Loss before tax	(1.87)	(0.42)
Retained losses	(3.39)	(1.69)
Net liabilities	(1.83)	(0.14)

\* Unaudited

## Arraco Global Markets Limited

London

Arraco is an award-winning interdealer broker for global commodities markets including Power, Gas, LNH, LPG and renewables. It is Europe's fastest growing energy brokerage and its diverse workforce reflects its client base and speaks over 14 languages.

[www.arraco.co.uk](http://www.arraco.co.uk)



Cost:	£2,250,000
Valuation:	£2,297,000
Date of initial investment:	December 2020
Equity held:	8.6%
Valuation basis:	Earnings multiple

Year ended 31 December	2019* £million	2018* £million
Revenue	1.43	0.20
LBITA	(0.69)	(0.07)
Loss before tax	(0.70)	(0.07)
Retained (losses) profits	(1.03)	0.33
Net (liabilities) assets	(0.03)	0.04

\* 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 50 and 51 and further information on exposure to risks including those associated with financial instruments is given in note 17a of the financial statements.

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## 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 pages 14 and 15.

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## 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. The Manager has continuously monitored the impact of Brexit and the Covid-19 pandemic and provides support as necessary.

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## Investment and Strategic

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

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

## Regulatory

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

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

## Reputational

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

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

## Operational

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

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

## Risk Factors (continued)

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### Financial

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

**Mitigation** – The Company's internal control and risk management processes are described on pages 50 and 51.

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### Market/Liquidity

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

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

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# Other Matters

## Section 172 Statement

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

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

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

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

## Key Stakeholders

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

### Investors

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

The Company encourages shareholders to attend its Annual General Meeting (AGM) and, due to the Corporate Insolvency and Governance Act 2020 the Company was able to hold a form of electronic AGM on 10 September last year. Shareholders passed a resolution at last year's AGM allowing electronic general meetings to be held in future. On the assumption that

lockdown restrictions will have been lifted in time, this year's AGM will revert to the normal in-person meeting.

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

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

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

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

### Manager

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

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

## Other Matters (continued)

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

### Portfolio Companies

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

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

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

### Employees

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

### Environment and Community

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

More details of the work that the Manager has done in this area are set out on pages 21 to 23. Its Sustainable Investment Policy can be found at [www.yfmep.com/who-we-are/our\\_impact/](http://www.yfmep.com/who-we-are/our_impact/).

### Business Conduct

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

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

The Strategic Report on pages 6 to 38 is approved by order of the Board.



**Helen Sinclair**  
Chairman

15 June 2021

# 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, North East Finance (Holdco) Limited and WH Ireland Group plc.



**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 Mobeus Income & Growth 4 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 2021

The directors present their report and audited financial statements of British Smaller Companies VCT plc (the "Company") for the year ended 31 March 2021.

## 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 6 to 38. The principal risks and uncertainties the Company faces are detailed on pages 34 to 36.

## Results and Dividends

The Statement of Comprehensive Income is set out on page 63. The profit before and after taxation for the year amounted to £21,339,000 (2020: loss of £5,091,000).

During the year the Company paid £5,511,000 in dividends (2020: £8,348,000) totalling 4.0 pence (2020: 6.0 pence) per ordinary share. A detailed review can be found in note 5 on page 76.

The directors have announced an interim dividend of 2.0 pence per ordinary share for the year ending 31 March 2022.

The net asset value per ordinary share at 31 March 2021 was 75.8 pence (2020: 64.5 pence). The transfer to and from reserves is given in the Statement of Changes in Equity on page 65.

## 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 Covid-19 pandemic and the Company is well placed to provide this, where appropriate.

The Company has a significant level of liquidity, following the recent fundraising. 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.

The directors have carefully considered the issue of going concern and are satisfied that the Company has sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of this report. As at 31 March 2021 the Company held cash balances and fixed term deposits with a combined value of £27,627,000. Cash flow projections show the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of share buy-backs and the dividend policy. In the year ended 31 March 2021 the Company's costs and discretionary expenditures were:

	£'000
Administrative expenses (before fair value movements related to credit risk)	2,193
Share buybacks	2,732
Dividends (before DRIS)	5,511
<b>Total</b>	<b>10,436</b>

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 reviewed the types of investment that the Company will be able to make under the current VCT legislation and they believe that the existing portfolio and future investments will be able to deliver the Company's objective *"to maximise total return and provide investors with a long-term tax free dividend yield whilst maintaining the Company's status as a venture capital trust"*.

The directors have also taken into account the emerging and principal risks and their mitigation identified in the strategic report on pages 34 to 36, the nature of the Company's business, including its substantial reserves of cash following the recent fundraising, the potential of its venture capital portfolio to generate returns in the future and, as noted above, the ability of the directors to minimise the level of cash outflows, should this be necessary.

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

### Corporate Governance

The statement on corporate governance set out on pages 44 to 51 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 authorities granted by the shareholders at general meetings held on 1 August 2017 and 10 September 2020) 4,093,191 ordinary shares of 10 pence each in the market (as disclosed in the table on page 40) for aggregate consideration (including fees) of £2,732,000. These shares are held in treasury.

Under the existing authority, which expires on the later of 10 September 2023, or at the conclusion of the Annual General Meeting held in 2023, the Company has the power to purchase shares up to 14.99 per cent of the Company's issued ordinary share capital as at 10 September 2020, being 20,672,266 ordinary shares.

During the year to 31 March 2021 a total of 11,810,811 ordinary shares were issued. As a result of the offer for subscription 9,291,092 were issued, while 2,519,719 ordinary shares were issued under the Company's DRIS. Further details are given in note 11 on page 86. 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 10 December 2021 up to an aggregate nominal amount of £5,000,000. This authority will be replaced by a new authority to issue shares up to an aggregate nominal amount of £7,000,000 at the forthcoming Annual General Meeting.



# Directors' Report (continued)

## 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 2020	752,215	0.55%	61.78
25 September 2020	474,612	0.34%	60.92
14 December 2020	1,091,681	0.78%	65.39
25 March 2021	1,774,683	1.20%	70.42
	<b>4,093,191</b>		

## Buy-back of Ordinary Shares

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

## Directors and their Interests

The directors of the Company at 31 March 2021, their interests and contracts of significance are set out in the Directors' Remuneration Report on pages 52 to 54.

## 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 2021 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 87 to 92 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 53.

### Annual General Meeting

Shareholders will find the Notice of the Annual General Meeting on pages 95 to 98 of these financial statements.

The ordinary business of the meeting includes a resolution (**Resolution 8**) proposed to ensure the directors retain the authority to allot shares in the Company until the date of the 2022 Annual General Meeting up to an aggregate nominal amount of £7,000,000 (representing approximately 48 per cent of the issued ordinary share capital of the Company as at 15 June 2021, excluding treasury shares).

Also included are the following special resolutions

**Resolution 9** is proposed to empower the directors to allot shares under the authority granted by resolution 8 and to sell treasury shares without regard to any rights of pre-emption on the part of the existing shareholders.

Following the increase in the number of non-executive directors to four last year, the cap on aggregate director's fees of £115,000 has been reached. Director's fees have not been increased from the 2014 level at £40,000 per annum for the chairman and £25,000 for the other directors and these fees will also be unchanged for the next 12 months.

**Resolution 10** is proposed to amend the Articles of Association to increase the cap on aggregate director's fees to £130,000 in order to provide flexibility on director's fees in the future.

This report was approved by the Board on 15 June 2021 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](http://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](http://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 2021 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

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 39.

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 recently 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 A C N Bastin, Mr J H Cartwright and Mr R Cook at this year's Annual General Meeting, because of their commitment, experience and continued contribution to the Company.

### Meetings and Committees

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

The table 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 one Allotment Committee meeting. The directors met via telephone and electronic conferences on 25 other occasions.

## Corporate Governance (continued)

### Meetings attended

Director	Ms H Sinclair	Mr R Cook	Mr A C N Bastin	Mr J H Cartwright	Total
Board meetings	9	9	9	9	9
Audit Committee	3	3	3	3	3
Allotment Committee	1	-	-	-	1
Remuneration and Nominations Committee	1	1	1	1	1
General meeting	1	1	1	1	1
Telephone and electronic conferences	25	25	25	25	25
<b>Total</b>	<b>40</b>	<b>39</b>	<b>39</b>	<b>39</b>	<b>40</b>

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

### Training and Appraisal

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

The performance of the Board has been evaluated during the financial year ended 31 March 2021. During the year the Board, led by Mr J H Cartwright, 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 52 to 54.

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 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 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 50 and 51.

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](http://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 its 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 2021 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

## Corporate Governance (continued)

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 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 eight years; in accordance with professional guidelines the engagement partner will be rotated after at most five years, and the current partner has served for five 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](http://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 39.

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 39. 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.

## Corporate Governance (continued)

### 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 49;
- > 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 2021 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 34 to 36.

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 47 and 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 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 83 to 85.

### Management

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

This report was approved by the Board on 15 June 2021 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 56 to 62.

## Directors' Remuneration Policy

This statement of the Directors' Remuneration Policy took effect following approval by shareholders at the AGM held on 10 September 2020. 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 95 per cent of shareholders who exercised their voting rights voted for the resolution approving the Directors' Remuneration Report, showing significant shareholder approval.

The Board's policy is that the remuneration of non-executive directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant venture capital trusts that are similar in

size and have similar investment objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the directors needed to oversee properly the Company and to reflect the duties and responsibilities of the directors and the value and amount of time committed to the Company's affairs.

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

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

The policy will continue to be applied in the forthcoming year subject to approval at the forthcoming AGM.

Brief biographical notes on the directors are given on page 39.

## Statement by the Chairman of the Remuneration and Nominations Committee

As noted on page 43, due to the increased number of directors, the cap on aggregate director's fees of £115,000 has been reached and your Board proposes to increase the cap on aggregate fees to £130,000.

Director's fees have not been increased from the 2014 level at £40,000 per annum for the Chairman and £25,000 per annum for the other Directors and these fees will also be unchanged for the next 12 months. 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 2021 (audited)

The directors who served in the year and the previous year received the following emoluments in the form of

fees, which represent the entire remuneration payable to directors (see Table A):

There are no executive directors (2020: none).

**Table A**  
**Total fees paid (audited)**

	2021 £	2020 £
H Sinclair	<b>40,000</b>	40,000
R Cook	<b>25,000</b>	25,000
A C N Bastin*	<b>25,000</b>	13,846
J H Cartwright**	<b>25,000</b>	12,500
C W E R Buchan***	-	11,186
	<b>115,000</b>	102,352

\* 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. There has been no change to the annual salaries of any of the directors in the year.

### Directors and their Interests (audited)

The directors of the Company at 31 March 2021 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 2021	31 March 2020	31 March 2021	31 March 2020
H Sinclair	<b>23,062</b>	23,062	<b>0.02%</b>	0.02%
A C N Bastin	<b>13,247</b>	-	<b>0.01%</b>	-
J H Cartwright	<b>26,494</b>	-	<b>0.02%</b>	-
R Cook	<b>38,652</b>	36,110	<b>0.03%</b>	0.03%

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**

	2021 £	2020 £
Dividends	<b>5,511,000</b>	8,348,000
Share buy-backs	<b>2,732,000</b>	2,503,000
Total directors' fees	<b>115,000</b>	102,352

### 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 (as amended) are not required.

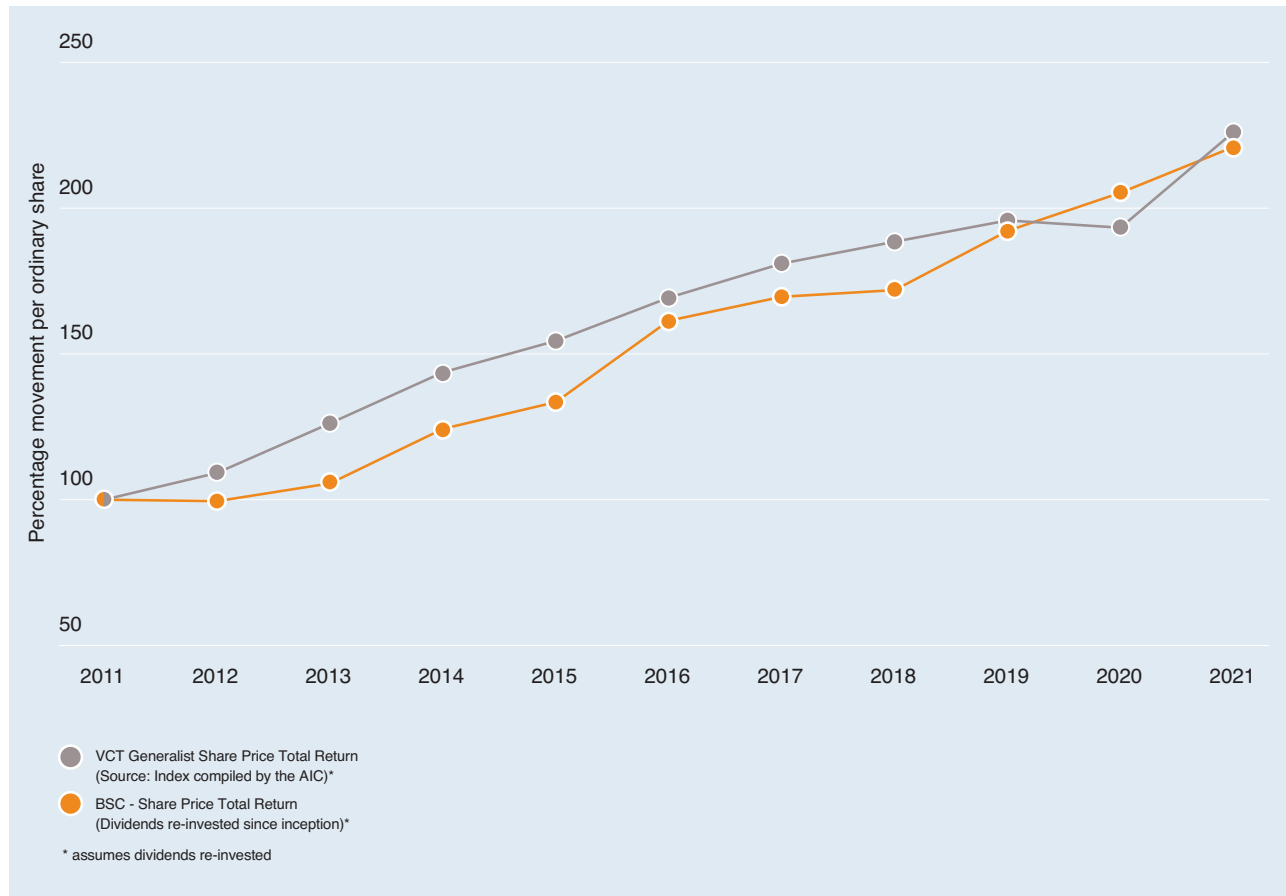
### Company Performance

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 12.



# Directors' Remuneration Report (continued)



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 46 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 2011. The directors consider this to be the most appropriate published index on which to report on comparative performance.

This report was approved by the Board and signed on its behalf on 15 June 2021.

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

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

- > select suitable accounting policies and then apply them consistently;
- > make judgements and accounting estimates that are reasonable and prudent;
- > state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- > prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

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

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

## Website Publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website [www.bscfunds.com](http://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.

The directors confirm to the best of their knowledge:

- > The financial statements have been prepared in accordance with accounting standards in conformity with the requirements of the Companies Act 2006 and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- > The annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

The names and functions of all the directors are stated on page 39.

This statement was approved by the Board and signed on its behalf on 15 June 2021.



**Helen Sinclair**  
Chairman



# Independent Auditor's Report

## to the members of British Smaller Companies VCT plc

### Opinion

In our opinion the financial statements:

- > give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of the Company's profit for the year then ended;
- > have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of British Smaller Companies VCT plc (the 'Company') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the 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 accounting standards in conformity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

### Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors and subsequently the shareholders at the AGM on 22 July 2014 to audit the financial statements for the year ending 31 March 2013 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 8 years, covering the years ending 31 March 2013 to 31 March 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

### Conclusions relating to going concern

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

- > Obtaining the VCT compliance reports during the year and as at the year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status;
- > Reviewing the forecasted cash flows that support the Directors' assessment of going concern by reference to actual performance in the year;
- > Assessing the sensitivity of the forecasted cash flows to changes in the future financial performance of the Company and its investments; and
- > Calculating financial ratios to ascertain the financial health of the Company.

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

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

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

### Overview

	2021	2020
<b>Key audit matters</b>		
Valuation of Unquoted Investments	✓	✓
<b>Materiality</b>	£1,400,000 (2020: £1,110,000) based on 2% (2020: 2%) of value of investments	

## An overview of the scope of our audit

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

## Key audit matters

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

### Key audit matter

### How the scope of our audit addressed the key audit matter

#### Valuation of unquoted investments (Note 1 and Note 7)

We consider the valuation of unquoted investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations.

There is an inherent risk of management override arising from the unquoted investment valuations being prepared by the 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.

For all investments in our sample we:

- > Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. We have challenged the key assumptions made in the valuation and ensured that the valuation methodology remains applicable given the impact of Covid-19;
- > Recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies;

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

## Independent Auditor's Report (continued)

Key audit matter	How the scope of our audit addressed the key audit matter
	<p>For investments sampled that were valued using more subjective techniques (earnings and revenue multiples) we:</p> <ul style="list-style-type: none"> <li>&gt; 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;</li> <li>&gt; Reviewed the historical financial statements of the investee companies and any recent management information available to support assumptions about maintainable revenues and earnings used in the valuations;</li> <li>&gt; Considered the revenue or earnings multiples applied by reference to observable listed company market data; and</li> <li>&gt; 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.</li> </ul> <p>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.</p> <p><i>Key observations</i></p> <p>Based on the procedures performed we did not identify any indicators which may suggest that the investment valuations are not within an appropriate range considering the level of estimation uncertainty.</p>

### Our application of materiality

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

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

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

	Company financial statements	
	2021 £'000	2020 £'000
<b>Materiality</b>	<b>1,400</b>	<b>1,110</b>
<b>Basis for determining materiality</b>	2% of unquoted investments	
<b>Rationale for the benchmark applied</b>	As a Venture Capital Trust, the value of investments is the key measure of performance	
<b>Performance materiality</b>	<b>1,100</b>	<b>830</b>
<b>Basis for determining performance materiality</b>	75% of materiality based on our knowledge and experience of the client.	

We have set a lower testing threshold for those items impacting revenue return of £210,000 which is based on 10% of total expenditure (2020: £30,000 which is based on 10% of revenue return before tax).

#### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £74,000 (2020: £20,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

#### Other information

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

We have nothing to report in this regard.

#### Corporate governance statement

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

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

#### Going concern and longer-term viability

- > The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- > The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate.

#### Other Code provisions

- > Directors' statement on fair, balanced and understandable;
- > Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;

## Independent Auditor's Report (continued)

- > The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- > The section describing the work of the audit committee.

### Other Companies Act 2006 reporting

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

### Strategic report and Directors' report

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

- > the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.
- > In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

### Directors' remuneration

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

### Matters on which we are required to report by exception

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

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

- > the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- > certain disclosures of Directors' remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.

### Responsibilities of Directors

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

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

### Auditor's responsibilities for the audit of the financial statements

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



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

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

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 the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP and international accounting standards in conformity with the requirements of the Companies Act 2006, and 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.

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:

- > agreement of the financial statement disclosures to underlying supporting documentation;
- > enquiries of management;
- > review of minutes of board meetings throughout the period;
- > obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- > obtaining the VCT compliance reports during the year and as at the year end and reviewing the calculations to check that the Company was meeting its requirements to retain VCT status.

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our audit work focussed on the valuation of unquoted investments, where the risk of material misstatement due to fraud is the greatest (refer to the Key Audit Matter section). We also:

- > obtained independent evidence to support the ownership of investments;
- > recalculated the investment management fees in total; and
- > obtained independent confirmation of bank balances.

In addressing the risk of management override of internal controls we tested journals and evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

## Independent Auditor's Report (continued)

### Use of our report

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

### Peter Smith

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

15 June 2021

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 2021

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

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

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

# Balance Sheet

At 31 March 2021

	Notes	2021 £000	2020 £000
<b>ASSETS</b>			
<b>Non-current assets at fair value through profit or loss</b>			
Investments	7	73,905	48,358
Listed investment funds	7	4,838	4,789
Financial assets at fair value through profit or loss	7	78,743	53,147
Accrued income and other assets	8	704	367
		<b>79,447</b>	<b>53,514</b>
<b>Current assets</b>			
Accrued income and other assets	8	971	229
Current asset investments	9	9,471	9,471
Cash and cash equivalents	9	20,657	25,952
		<b>31,099</b>	<b>35,652</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	(186)	(205)
<b>Net current assets</b>		<b>30,913</b>	<b>35,447</b>
<b>Net assets</b>		<b>110,360</b>	<b>88,961</b>
<b>Shareholders' equity</b>			
Share capital	11	16,131	14,950
Share premium account		29,995	22,838
Capital reserve		41,106	49,624
Investment holding gains and losses reserve		18,944	375
Revenue reserve		4,184	1,174
<b>Total shareholders' equity</b>		<b>110,360</b>	<b>88,961</b>
<b>Net asset value per ordinary share</b>	12	<b>75.8p</b>	64.5p

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

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



**Helen Sinclair**  
Chairman

# Statement of Changes in Equity

For the year ended 31 March 2021

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

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

## Statement of Changes in Equity (continued)

### For the year ended 31 March 2021

#### Reserves available for distribution

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

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

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

The capital reserve and revenue reserve are both distributable reserves. The reserves total £45,290,000 representing a decrease of £5,508,000 during the year. The directors also take into account the level of the investment holding gains and losses reserve and the future requirements of the Company when determining the level of dividend payments.

Of the potentially distributable reserves of £45,290,000 shown above, £1,275,000 relates to income not yet distributable. The final £1,491,000 of previously cancelled share premium became distributable on 1 April 2021.

# Statement of Cash Flows

For the year ended 31 March 2021

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

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

## Cash and cash equivalents comprise

Money market funds	9	2,501	2,501
Cash at bank	9	20,657	25,952
<b>Cash and cash equivalents at the end of the year</b>		<b>23,158</b>	<b>28,453</b>

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

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

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

# Notes to the Financial Statements

## 1. Principal Accounting Policies

### Basis of Preparation

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

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

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

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

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

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

### Financial Assets held at Fair Value through Profit or Loss

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

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

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

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

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

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



## Valuation of Investments

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

### Initial measurement

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

### Subsequent measurement

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

### Unquoted Investments

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

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

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

## Notes to the Financial Statements (continued)

### 1. Principal Accounting Policies (continued)

#### Quoted Investments and Listed Investment Funds

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

#### Income

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

#### Expenses

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

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

#### Cash, Cash Equivalents and Current Asset Investments

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

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

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

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

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

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

## Share Capital and Reserves

### *Share Capital*

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

### *Share Premium Account*

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

### *Capital Reserve*

The following are included within this reserve:

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

### *Investment Holding Gains and Losses Reserve*

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

### *Revenue Reserve*

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

## Taxation

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

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

## Dividends Payable

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

## Notes to the Financial Statements (continued)

### 1. Principal Accounting Policies (continued)

#### 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

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

### 3. Administrative Expenses

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

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

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

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

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

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

The key features of the IAA are:

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

## Notes to the Financial Statements (continued)

### 3. Administrative Expenses (continued)

- > With effect from 1 April 2019 the annual fee payable to the Manager is 1.0 per cent on all surplus cash, defined as all cash above £15 million, unless an incentive fee has been paid under the new agreement in which case the amount determined to be surplus will be the excess over £7.5 million. The annual fee on all other assets will be 2.0 per cent of net assets per annum. Based on the Company's net assets at 31 March 2021 of £110,360,000 and cash of £27,627,000 at that date, this equates to £2,081,000 per annum.
- > Under the IAA YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee of £35,000 per annum (at 28 February 1996) plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged fully to revenue, and totalled £68,000 for the year ended 31 March 2021 (2020: £66,000); and
- > YFM Private Equity Limited shall bear the annual operating costs of the Company (including the fees set out above but excluding any payment of the performance incentive fee, details of which are set out below and excluding VAT and trail commissions payable to financial intermediaries) to the extent that those costs exceed 2.9 per cent of the net asset value of the Company. The excess expenses during the year payable to the Company from YFM Private Equity Limited amounted to £nil (2020: £nil).

When the Company makes investments into its unquoted portfolio the Manager charges that investee an advisory fee or arrangement fee, calculated by applying a percentage to the investment amount. The Company and the Manager have agreed that, if the average of the relevant fees during the Company's financial year exceeds 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on holdings this excess will be rebated to the Company. As at 31 March 2021, the Company was due a rebate from the Manager of £nil (2020: £nil).

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

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

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

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

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

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

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

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



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

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

Under the terms of the offer launched with British Smaller Companies VCT2 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.

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

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

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

#### 4. Taxation

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

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

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

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

## Notes to the Financial Statements (continued)

### 5. Dividends

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

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

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

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

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

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

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

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

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

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

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

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

## 7. Financial Assets at Fair Value through Profit or Loss

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

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

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

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

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

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

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

### Valuation of Investments

Full details of the methods used by the Company are set out in note 1 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 2021 are summarised as follows:

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

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

There were no individual reductions in fair value during the year that exceeded 5 per cent of the total assets of the Company (2020: £nil).

Level 3 valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes in fair value of financial assets held at the price of recent investment, or to adjust revenue or earnings multiples. IFRS 13 requires an entity to disclose quantitative information about the significant unobservable inputs used. Of the Company's Level 3 investments, 68 per cent are held on a revenue multiple basis and 25 per cent on an earnings multiple basis, and therefore have significant judgement applied to the valuation inputs.

The table on page 79 sets out the range of Revenue multiples (RM), Earnings multiples (EM) and discounts applied in arriving at investments valued on these bases. The remaining 7 per cent are valued based on cost or net asset value reviewed for change in fair value.

	Revenue Multiple inputs	New Media	Data & Analytics	Retail & Brands	Software Applications
<b>2021</b>	<b>RM Range</b>	<b>8.00</b>	<b>4.10-18.00</b>	<b>1.60</b>	<b>4.10-10.00</b>
	<b>RM Weighted Average</b>	<b>8.00</b>	<b>14.21</b>	<b>1.60</b>	<b>7.98</b>
2020	RM Range	3.60-3.80	3.70-10.0	0.99	3.30-5.60
	RM Weighted Average	3.69	7.84	0.99	4.01
<b>2021</b>	<b>Combined RM and/or Marketability Discount Range</b>	<b>60%-68%</b>	<b>32%-72%</b>	<b>68%</b>	<b>32%-85%</b>
	<b>Combined RM and/or Marketability Discount Weighted Average</b>	<b>68%</b>	<b>43%</b>	<b>68%</b>	<b>66%</b>
2020	Combined RM and/or Marketability Discount Range	56%-58%	20%-66%	68%	54%-77%
	Combined RM and/or Marketability Discount Weighted Average	57%	34%	68%	66%

	Earnings Multiple inputs	New Media	Data & Analytics	Business Services	Retail & Brands	Advanced Manufacturing
<b>2021</b>	<b>EM Range</b>	<b>10.44-13.44</b>	<b>15.10</b>	<b>8.81-14.36</b>	<b>16.97-18.60</b>	<b>15.00</b>
	<b>EM Weighted Average</b>	<b>10.44</b>	<b>15.10</b>	<b>11.28</b>	<b>16.97</b>	<b>15.00</b>
2020	EM Range	16.01-17.96	17.96-29.55	11.65-17.96	11.60-17.99	11.65-29.55
	EM Weighted Average	17.33	24.21	13.86	15.31	13.80
<b>2021</b>	<b>Combined EM and/or Marketability Discount Range</b>	<b>20%-68%</b>	<b>68%</b>	<b>20%-44%</b>	<b>52%-76%</b>	<b>72%</b>
	<b>Combined EM and/or Marketability Discount Weighted Average</b>	<b>40%</b>	<b>68%</b>	<b>34%</b>	<b>52%</b>	<b>72%</b>
2020	Combined EM and/or Marketability Discount Range	36%-68%	68%-72%	56%-68%	68%-76%	60%-72%
	Combined EM and/or Marketability Discount Weighted Average	58%	70%	60%	76%	64%

## 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 revenue levels, earnings levels or RM/EM ratios) alternatives have been considered which still fall within the IPEV Guidelines (see page 69). 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 £3.87 million or 5.2 per cent lower. Using the upside alternative the value would be increased by £4.03 million or 5.5 per cent.

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	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
<b>Opening fair value at 1 April 2019</b>	<b>55,341</b>	<b>1,678</b>	<b>57,019</b>	<b>2,494</b>	<b>59,513</b>
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)
<b>Closing fair value at 31 March 2020</b>	<b>48,358</b>	<b>-</b>	<b>48,358</b>	<b>4,789</b>	<b>53,147</b>
Closing cost	47,897	-	47,897	4,875	52,772
Closing investment holding gain (loss)	461	-	461	(86)	375
<b>Closing fair value at 31 March 2020</b>	<b>48,358</b>	<b>-</b>	<b>48,358</b>	<b>4,789</b>	<b>53,147</b>

\* 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.



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

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

## 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 2020:

	Net proceeds from sale £000	Cost £000	Opening carrying value as at 1 April 2019 £000	Profit (loss) on disposal £000
<b>Unquoted investments:</b>				
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
<b>Quoted investments:</b>				
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
<b>Deferred proceeds:</b>				
Selima Holding Company Ltd	490	-	470	20
<b>Total</b>	<b>20,234</b>	<b>8,993</b>	<b>12,321</b>	<b>7,913</b>

### 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 on pages 83 to 85.

At 31 March 2021 the Company held a significant holding of at least 20 per cent of the issued ordinary share capital, either individually or alongside commonly managed funds, in the following companies:

Company	Principal activity	No of shares held by the Company	Percentage of class held by the Company*	Percentage of class held by commonly managed funds*
ACC Aviation Group Limited**	Business Services	220,000	28%	69%
Arcus Global Limited**	Software Applications	456,684	21%	37%
Biz2Mobile Limited	Data & Analytics	3,392,382	16%	26%
Deep-Secure Ltd	Software Applications	99,386	16%	56%
DisplayPlan Holdings Limited**	New Media	2,340	23%	35%
EL Support Services Limited**	Investment Company	3,500	50%	100%
Elucidat Ltd	Software Applications	3,452	12%	20%
Force24 Ltd	Software Applications	27,872	17%	34%
Friska Limited**	Retail & Brands	116,311	25%	42%
Harris Hill Holdings Limited	Business Services	65,714	10%	36%
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)**	Business Services	159,913	27%	44%
KeTech Enterprises Limited	Data & Analytics	128,333	16%	47%
Macro Art Holdings Limited**	New Media	150,000	21%	35%
NB Technology Services Limited**	Investment Company	3,500	50%	100%
Ncam Technologies Limited**	New Media	1,773,125	25%	57%
OC Engineering Services Limited**	Investment Company	3,500	50%	100%
Outpost VFX Limited	New Media	3,584,229	11%	22%
Panintelligence (via Paninsight Limited)	Data & Analytics	34,068	15%	35%
Seven Technologies Holdings Limited	Advanced Manufacturing	648,482	14%	60%
SH Healthcare Services Limited**	Investment Company	3,500	50%	100%
SharpCloud Software Limited	Data & Analytics	25,398	15%	30%
Sipsynergy (via Hosted Network Services Limited)**	Software Applications	443,748	20%	50%
SP Manufacturing Services Limited**	Investment Company	3,500	50%	100%
Springboard Research Holdings Limited	Data & Analytics	257,840	19%	32%
Tonkotsu Limited	Retail & Brands	50,493	18%	38%
Traveltek Group Holdings Limited	Software Applications	41,420	17%	67%
Unbiased EC1 Limited	Software Applications	1,161,144	16%	30%
Vypr Validation Technologies Limited	Data & Analytics	11,482	13%	22%
Wakefield Acoustics (via Malvar Engineering Limited)**	Advanced Manufacturing	74,400	22%	37%
Wooshii Limited	New Media	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 page 94.

## Notes to the Financial Statements (continued)

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

The amounts shown below are the net cost of investments as at 31 March 2021 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
Arraco Global Markets Limited	2,250	1,500	-	3,750
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	2,700	1,800	-	4,500
Force24 Ltd	2,400	1,600	800	4,800
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	-	1,207
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	2,934	1,956	-	4,890
KeTech Enterprises Limited	1,500	1,500	10	3,010
Macro Art Holdings Limited	481	321	-	802
Matillion Limited	2,046	1,778	635	4,459
NB Technology Services Limited	500	500	-	1,000
Ncam Technologies Limited	2,381	1,588	1,495	5,464
OC Engineering Services Limited	500	500	-	1,000
Outpost VFX Limited	1,500	1,000	500	3,000
Panintelligence (via Paninsight Limited)	1,500	1,000	1,000	3,500
Seven Technologies Holdings Limited	1,984	1,234	6,991	10,209
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	2,733	1,822	-	4,555
Sipsynergy (via Hosted Network Services Limited)	1,770	1,309	921	4,000
TeraView Limited	377	377	-	754

	British Smaller Companies VCT plc £000	British Smaller Companies VCT2 plc £000	Other commonly managed funds £000	Total £000
Tonkotsu Limited	2,388	1,592	995	4,975
Traveltek Group Holdings Limited	1,716	1,163	2,696	5,575
Unbiased EC1 Limited	2,946	1,964	640	5,550
Vypr Validation Technologies Limited	1,500	1,000	-	2,500
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

	2021 £000	2020 £000
<b>Non-current assets:</b>		
Accrued income on financial assets	704	367
<b>Current assets:</b>		
Accrued income on financial assets	399	200
Prepayments	572	29
	<b>971</b>	<b>229</b>

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

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

## 9. Current Asset Investments and Cash and Cash Equivalents

	2021 £000	2020 £000
Money market funds	2,501	2,501
Bank deposits that mature after three months but are not immediately repayable	6,970	6,970
<b>Current asset investments</b>	<b>9,471</b>	<b>9,471</b>
Cash and cash equivalents	20,657	25,952
<b>Cash and cash equivalents</b>	<b>20,657</b>	<b>25,952</b>

## Notes to the Financial Statements (continued)

### 10. Trade and Other Payables

	2021 £000	2020 £000
<b>Amounts payable within one year:</b>		
Accrued expenses	<b>186</b>	205
	<b>186</b>	205

### 11. Called-up Share Capital

	2021 Allotted, called-up and fully paid £000	2020 Allotted, called-up and fully paid £000
Ordinary shares of 10 pence Issued: 161,310,848 (2020: 149,500,037) including 15,686,181 shares held in treasury (2020: 11,592,990).	<b>16,131</b>	14,950

The movements in the year were as follows:

		Price pence	Date	Number of shares	Share Capital £000
Total as at 1 April 2020				<b>149,500,037</b>	<b>14,950</b>
Issue of shares	DRIS	59.38	31 July 2020	1,254,024	125
Issue of shares	DRIS	60.42	5 October 2020	1,265,695	127
Issue of shares	Fundraising	75.487-75.590	8 March 2021	9,291,092	929
<b>As at 31 March 2021 (including treasury shares)</b>				<b>161,310,848</b>	<b>16,131</b>
<b>As at 31 March 2021 (excluding treasury shares)</b>				<b>145,624,667</b>	

During the year the Company purchased 4,093,191 (2020: 3,617,817) 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 2021 and 31 March 2020.

The movements in the previous year to 31 March 2020 were as follows:

		Price pence	Date	Number of shares	Share Capital £000
Total as at 1 April 2019				<b>118,332,971</b>	<b>11,833</b>
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
<b>As at 31 March 2020 (including treasury shares)</b>				<b>149,500,037</b>	<b>14,950</b>
<b>As at 31 March 2020 (excluding treasury shares)</b>				<b>137,907,047</b>	



## 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 £110,360,000 (2020: £88,961,000) and 145,624,667 (2020: 137,907,047) ordinary shares in issue at the year end.

The treasury shares have been excluded in calculating the number of ordinary shares in issue at 31 March 2021 and 31 March 2020.

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

## 13. Total Return per Ordinary Share

The Total Return per ordinary share is calculated on cumulative dividends paid of 157.4 pence per ordinary share (2020: 153.4 pence per ordinary share) plus the net asset value as calculated per note 12.

## 14. Financial Commitments

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

## 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 52 to 54. There were no amounts outstanding and due to the directors at 31 March 2021 (2020: £nil).

## 16. Events after the Balance Sheet Date

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

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

## 17. Financial Instruments

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

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

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

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

The accounting policies for financial instruments have been applied to the items in the following table:

## Notes to the Financial Statements (continued)

### 17. Financial Instruments (continued)

#### Assets as per balance sheet

	Other assets at amortised cost £000	2021 Assets at fair value through profit or loss £000	Other assets at amortised cost £000	2020 Assets at fair value through profit or loss £000
<b>Non-current assets at fair value through profit or loss</b>				
Financial assets	-	79,447	-	53,514
<b>Current assets</b>				
Cash and cash equivalents	20,657	-	25,952	-
Cash on fixed term deposit	6,970	-	6,970	-
Current asset investments	2,501	-	2,501	-
Accrued income on financial assets	-	398	-	194
Accrued income on cash, cash equivalents and cash deposits	1	-	6	-
	<b>30,129</b>	<b>79,845</b>	35,429	53,708
Other assets – not financial instruments	572	-	29	-
	<b>30,701</b>	<b>79,845</b>	35,458	53,708

#### Liabilities as per balance sheet

	2021 Other financial liabilities £000	2020 Other financial liabilities £000
Trade and other payables	186	205

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, 6 per cent (2020: 9 per cent) are investment funds listed on the main market of the London Stock Exchange (including FCA authorised and regulated UCITS funds). A 5 per cent increase in stock prices as at 31 March 2021 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £242,000 (2020: £239,000). 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, 94 per cent are in unquoted companies held at fair value (2020: 91 per cent). The valuation methodology for these investments includes the application of externally produced revenue multiples and earnings multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Investments have been valued in line with the Guidelines described within Note 1. Those using revenue and earnings multiple methodologies include judgements regarding the level of discount applied to that multiple. 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 £4,618,000 (4.2 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 £4,464,000 (4.0 per cent of net assets).

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 Matillion Limited which constitutes 14.2 per cent (2020: ACC Aviation Group Limited 8.5 per cent) of the net assets attributable to the Company's shareholders. The Board seeks to mitigate this risk by diversifying the portfolio and monitors the status of all investments on an ongoing basis. The average investment (excluding both those whose value has been reduced to nil and those managed on a discretionary basis by Brewin Dolphin Securities Limited) is 2.5 per cent (2020: 1.9 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	220	764	(544)
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	8,085	3,662	4,423
RMS Group Holdings Limited	Jun-20	1,446	907	539
Bagel Nash Group Limited	Oct-20	150	607	(457)
Other	Nov-10 to Jan-17	123	30	93
		71,142	42,254	28,888

#### *Interest Rate Risk*

The Company's venture capital investments include £8,537,000 (2020: £8,292,000) of loan stock in unquoted companies. The majority of this loan stock at 31 March 2021 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 (2020: £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.

	2021			2020		
	£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	12,750	8.7	12	15,150	6.7	24
Cash on fixed term deposit	6,970	0.6	3	6,970	0.8	3
<b>Combined</b>	<b>19,720</b>	<b>5.9</b>	<b>9</b>	<b>22,120</b>	<b>4.9</b>	<b>17</b>

### 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 £77,285,000 (2020: £56,679,000) 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. Any expected credit loss associated with the balances are considered to be highly immaterial.

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.

## Notes to the Financial Statements (continued)

### 17. Financial Instruments (continued)

The maturities of the loan stock portfolio are as follows:

	2021 £000				2020 £000			
	<1 year	1-2 years	2-5 years	>5 years	<1 year	1-2 years	2-5 years	>5 years
Unquoted loan investments	5,957	600	1,501	479	4,940	1,860	933	559

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.

	2021 £000 0-6 months	2020 £000 0-6 months
Loans to investee companies past due	3,135	1,800

#### 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 25.4 per cent (2020: 37.4 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 2021 was £110.36 million (2020: £88.96 million).

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

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

# Advisers to the Company

## Manager

### **YFM Private Equity Limited**

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

## Registrars

### **Link Group**

Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

## Solicitors

### **Howard Kennedy LLP**

No.1 London Bridge  
London  
SE1 9BG

## Stockbrokers

### **Panmure Gordon (UK) Limited**

One New Change  
London  
EC4M 9AF

## Financial Adviser

### **Brewin Dolphin Limited**

34 Lisbon Street  
Leeds  
LS1 4LX

## Independent Auditor

### **BDO LLP**

55 Baker Street  
London  
W1U 7EU

## VCT Status Adviser

### **Philip Hare & Associates LLP**

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

# 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 2021 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 2021 be received.
- (2) That the Directors' Remuneration Report for the year ended 31 March 2021 be approved other than the part of such report containing the Directors' Remuneration Policy.
- (3) That Ms H Sinclair be re-elected as a director.
- (4) That Mr A C N Bastin be re-elected as a director.
- (5) That Mr J H Cartwright be re-elected as a director.
- (6) That Mr R Cook be re-elected as a director.
- (7) That BDO LLP be re-appointed as auditor to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that the directors be authorised to fix their remuneration.
- (8) That the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £7,000,000, during the period commencing on the passing of this Resolution and expiring on the later of 15 months from the passing of this Resolution or the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares in the Company to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and that all previous authorities given to the directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

### Special Resolutions

- (9) That the directors be and are hereby empowered in accordance with Section 570(1) of the Act during the period commencing on the passing of this

Resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of this Resolution, whichever is the later, (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in Resolution 8 above as if Section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the allotment for cash of equity securities up to an aggregate nominal amount of £7,000,000, 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 8 above" were omitted.

- (10) That the Articles of Association of the Company be amended to increase the limit on the aggregate remuneration of the non-executive directors from £115,000 to £130,000 by replacing the figure of "£115,000" appearing in Article 125 with "£130,000".

By order of the Board

**The City Partnership (UK) Limited**  
Company Secretary

15 June 2021

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](http://www.bscfunds.com).

\* See page 43 of the annual report.

## Notice of the Annual General Meeting (continued)

### Notes:

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. Any such appointment can only be made using the procedures set out in these notes and the notes of the Form of Proxy. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these notes. Please read note (k) below. Under section 319A of the Companies Act 2006, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- > answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
  - > the answer has already been given on a website in the form of an answer to a question; or
  - > it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy must be completed and signed and with the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL 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 2021 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 Group
    - PXS1
    - Central Square
    - 29 Wellington Street
    - Leeds
    - LS1 4DL:
  - ii) electronically through the website of the Company's UK registrar at [www.signalshares.com](http://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 Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. 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 Group 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, 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 2021 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 2021 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 15 June 2021 the Company's issued share capital comprised 145,624,667 ordinary shares of 10 pence each with a further 15,686,181 shares held in treasury. Those treasury shares represented 9.7 per cent of the total issued share capital (including treasury shares) at the aforementioned date. Each ordinary share carries one voting right at the Annual General Meeting of the Company and so the total number of voting rights in the Company as at 15 June 2021 was 145,624,667.
- (k) If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ("Nominated Person"):
- > You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
  - > If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
  - > Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (l) A company which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (m) In the case of joint members, any one of them may sign the Form of Proxy. The vote of the person whose name stands first in the register of members of the Company will be accepted to the exclusion of the votes of the other joint holders.
- (n) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given on the Form of Proxy, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

## Notice of the Annual General Meeting (continued)

- (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](http://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 2021 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 2021 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
<b>Ordinary Resolutions</b>			
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 re-elect Ms H Sinclair as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr A C N Bastin as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr J H Cartwright as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-elect Mr R Cook as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint BDO LLP as auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise the directors to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Special Resolutions</b>			
9. To waive pre-emption rights in respect of the allotment of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. To increase the limit on directors' remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature

Dated

2021

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](http://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 95 to 98 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 Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL 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](http://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 Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. 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 Group 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.**





**British Smaller Companies VCT plc**

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

Telephone 0113 244 1000  
Email [info@yfmepl.com](mailto:info@yfmepl.com)

[bscfunds.com](http://bscfunds.com)

Transforming small businesses