BRITISH SMALLER COMPANIES VCT PLC
Annual Financial Report Announcement for the Year ended 31 March 2015

British Smaller Companies VCT plc (the "Company") today announces its audited results for the year to 31 March 2015.

Financial Highlights

- An increase in total return of 2.5 per cent to 197.5 pence per ordinary share.

- The Company invested a total of £19.06m into fifteen companies during the year, including £16.83 million into eleven new companies and £2.19 million of follow-on investment to support the existing portfolio.

- The portfolio now includes 20 unquoted companies with a value of £1.0 million or more.

- Successful realisation of the Company's investment in 2007 in Waterfall Services Limited. Over the period of your Company's investment total proceeds generated were £5.3 million on a £1.0 million investment generating a 5.3x return for your Company.

- Underlying growth in the investment portfolio of £4.04 million. This includes £2.47 million of unrealised value growth and £1.57 million of gain over the opening value from disposals.

- Realised profit from disposals of £4.30 million over the original cost.

- The cash position has been enhanced by the fundraising with British Smaller Companies VCT2 plc, which raised gross proceeds for the Company of £24.6 million.

- Total dividends paid during the year ended 31 March 2015 were 8.0 pence per ordinary share. This comprises a final dividend relating to the year to 31 March 2014 of 3.5 pence, a special interim dividend of 2.5 pence and an interim dividend for the year to 31 March 2015 of 2.0 pence per ordinary share.

- Proposed final dividend of 3.5 pence per ordinary share in respect of the year ended 31 March 2015.

Chairman's Statement

This year has seen your Company make new and further investments into the portfolio totalling £19.1 million, which included ten new unquoted investments, increasing the total number of investments to 38, and the value of investments at the end of the year to £55.5 million. This has enabled your Company to diversify further the portfolio's geographical and sector mix. The unquoted portfolio now contains 20 investments valued at £1 million or more, compared to 11 at 31 March 2014 with the largest single investment just 7.4 per cent of the Company's net asset value. This diversity has increased the income element derived from the portfolio, hopefully enhancing the resilience of future dividends.

Fundraising
In light of the continued strong demand for investment from UK businesses your Company launched a prospectus offer on 20 October 2014 alongside British Smaller Companies VCT2 plc, to increase its investment capacity. This received an excellent response and was fully subscribed with the Company raising £24.6 million and the offers raising £40.0 million in aggregate. The final allotment under the offers was made on 22 April 2015.

These funds will allow the Company to take advantage of the current pipeline of attractive investment opportunities.

Financial Results
The movement in net asset value per ordinary share and the dividends paid in the year to 31 March 2015 are summarised in the table below:

	Pence per ordinary share		**£000**	
NAV at 31 March 2014		102.0		62,584
Net underlying increase in portfolio	4.6		4,035	
Net income	-		8	
Buy-back of shares	0.1		(678)	
Issue of new shares	0.1		27,246	
	4.8		30,611	
Dividends paid	(8.0)		(5,475)	
		(3.2)		25,136
NAV at 31 March 2015		**98.8**		**87,720**
Cumulative dividends paid		**98.7**		
Total Return		**197.5**		

In the year the total return (being net asset value plus cumulative dividends) increased by 4.8 pence per share to 197.5 pence. This was driven by an increase in the value of the investment portfolios of £4.04 million, an increase of 9.5 per cent over the opening value at 31 March 2014. This return comprises a gain on the revaluation of the portfolio of £2.47 million and a gain over the opening book value from the realisation of investments of £1.57 million. This is a particularly creditable result as it includes a value drop of £2.05 million from two portfolio businesses exposed to defence sector budget cuts. Strong value gains were seen across many portfolio businesses as a result of implementing clear growth strategies and improved profitability.

Following the successful sale of the investment in Waterfall Services Limited, the Company has paid total dividends of 8.0 pence per ordinary share, bringing the total cumulative dividends paid since inception to 98.7 pence per ordinary share. After dividends the net asset value per share was 98.8 pence.

The charts on page 12 of the annual report show in greater detail the movement in total return, net asset value and dividends paid over time.

These financial results have enabled your Company to continue to hold its ranking as a top-performing VCT, with Citywire reporting it as the third best performing VCT over the last ten years. *(Source: Citywire data as at 21 May 2015 - based on NAV performance).*

Shareholder Relations

Dividends

Your Board remains committed to achieving the objective of a consistent and, where possible, increasing dividend stream over time while seeking to maintain capital value. Dividends paid in the year comprise a final dividend of 3.5 pence per ordinary share in respect of the year ended 31 March 2014, an interim dividend of 2.0 pence per ordinary share and a special dividend of 2.5 pence per ordinary share in respect of the financial year just ended, totalling 8.0 pence per ordinary share. This represents 9.0 per cent of the opening share price and 7.8 per cent of the opening net asset value per ordinary share and brings the cumulative dividends paid to 98.7 pence per ordinary share.

The Board is pleased to propose a final dividend of 3.5 pence per ordinary share for the year ended 31 March 2015. This final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and if approved will then be paid on 4 August 2015 to shareholders on the register at 3 July 2015.

DRIS

The Company operates a dividend re-investment scheme ("DRIS"), which gives shareholders the opportunity to re-invest any cash dividends. The DRIS is open to all shareholders, including those who invested under the recent share offers. Shareholders reinvested £1.2 million in the DRIS, which represented 21.3 per cent of the gross dividends paid in the year to 31 March 2015 demonstrating the benefits of the DRIS to the Company and shareholders alike.

Incentive fee

As a result of the increased level of dividend and maintenance of the net asset value above its target, an incentive fee of £0.6m (2014: £0.2m) is payable to YFM Private Equity Limited, in accordance with the terms of the Incentive Agreement (the details of which are set out on page 60 of the annual report)

This payment is linked to achieving both a consistent and increasing dividend (with a target dividend, below which no incentive fee is payable, adjusted for RPI annually) as well as maintaining growth in the net asset value above a hurdle.

Shareholder communications

Your Board remains committed to enhancing shareholder communications and holds shareholder workshops where investors are invited to meet members of the Board, representatives from the Investment Adviser and the CEOs of one or more of our investee companies. Our 20th shareholder workshop was held at Freemasons' Hall, London on 4 February 2015 and achieved the highest ever attendance with over 200 shareholders attending. Presentations at the workshop were made by Andrew Barker MD of Mangar International, Rachel McCorry CEO of IO Outsourcing, Michael Green Commercial Director and Matt Guise Sales Director of Macro Art. After lunch David Hall spoke on behalf of the Investment Adviser, followed by a Question and Answer session hosted by David Hall, David Bell and Paul Cannings, all of the Investment Adviser.

As part of its review of costs, and in line with current Environmental, Social & Corporate Governance, the Board has decided to implement an electronic communications policy, whereby documents such as the annual report will in future be disseminated via the website www.bscfunds.com rather than by post. This will save on printing costs and be more environmentally friendly.

In addition we are refreshing the Company's website. The emphasis is on providing a comprehensive level of information in a user-friendly format. This new site will be launched in the next few weeks.

The Annual General Meeting of the Company will be held at 12.00 noon on 29 July 2015 at Avanta, Soho Room, 25 Sackville Street, London W15 3AX. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 76 of the annual report.

Regulatory

On 20 July 2014 the Financial Conduct Authority approved the Company's application to become a Self-managed Alternative Investment Fund as defined under the new Alternative Investment Fund Manager's Directive following the implementation of the EU's directive on self-managed investment funds. Following this the Company has retained responsibility for the custody of its investments. YFM

Private Equity Limited has continued to provide advisory and administrative services to the Company. I am pleased to report that The City Partnership (UK) Limited has been appointed as Company Secretary to the Company with effect from 1 December 2014.

Changes to Investment Advisory Agreement

Your Board has agreed with YFM Private Equity Limited (as Investment Adviser) a number of changes to the Investment Advisory and Incentive agreements for the benefit of the Company. In particular it has added clauses that:

i. effective from 1 October 2013, determine a rebate to the Company if aggregate deal fees are above an agreed level, where there are fees paid by investee companies to the Investment Adviser at the point of investment;
ii. effective from 1 October 2013, set a limit on annual monitoring and directors fees paid by investee companies to the Investment Adviser; and
iii. effective from 1 April 2014, place a cap on the total performance incentive fee to be paid to the Investment Adviser in any one year.

Further details are set out on pages 59 and 60 of the annual report.

Your Board believes that these amendments should help to enhance returns to shareholders by limiting the absolute amount of fees charged to investee companies, and also smooth the payment of any particularly large incentive fees earned over several years.

Subsequent Events

Since the end of the reporting period, the Company has allotted a total of 1,385,722 ordinary shares on 22 April 2015 pursuant to the offer detailed under "Fundraising" earlier in this report.

Outlook

This year has seen an increase in the number of companies which the Company has been able to invest in and a large proportion of the funds raised in 2014's successful fundraising have now been deployed.

Demand for equity capital among smaller UK businesses remains strong and the success of the recent fundraising provides the Company with the funds to take advantage of the relatively positive economic conditions and also enables us to support growth and acquisition strategies in the existing portfolio.

The significant level of investments made during the year to 31 March 2015 has further increased the diversification of the portfolio, with the largest investment representing just 7.4 per cent of net asset value compared to 32.8 per cent four years ago. The growth in income generation from the portfolio should also add further resilience to future investment returns. The recent fundraising affords the opportunity to continue this strategy of portfolio diversification and increasing income generation.

Helen Sinclair
Chairman

Objectives and Key Policies

The Company's objective is to provide investors with an attractive long-term tax free dividend yield while seeking to maintain the capital value of their investment.

Investment Policy

The investment strategy of the Company is to create a portfolio with a mix of companies operating in traditional industries and those that offer opportunities in the development and application of innovation.

The legislation governing VCTs requires that at least 70 per cent by value of its holdings must be in qualifying holdings. The maximum value of any single investment is 15 per cent at the time of investment.

The Company invests in UK businesses across a broad range of sectors including, but not limited to, Software, IT & Telecommunications, Business Services, Manufacturing & Industrial Services, Retail & Brands and Healthcare, in VCT qualifying and non-qualifying unquoted and AIM traded securities.

The Company invests in a range of securities which may include ordinary and preference shares and fixed income securities, such as corporate bonds and gilts. Unquoted investments are structured so as to spread risk and enhance revenue yields, usually as a combination of ordinary shares, preference shares and loan stocks, while AIM securities are generally held in ordinary shares.

Borrowing

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

Co-investment

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc (the "VCTs") have in aggregate first choice of all investment opportunities up to £4.5 million. Amounts above £4.5 million may be allocated one third to YFM's institutional co-investment fund and two thirds to the VCTs. Where there are opportunities for the VCTs to co-invest with each other, the proposed basis 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 in the circumstances where British Smaller Companies VCT2 plc does not take up its allocation, increase its allocation in such co-investment opportunities.

Asset Mix

Pending investment in VCT-qualifying and non-VCT qualifying unquoted or AIM traded securities, surplus cash is primarily held in interest bearing instant access, notice and fixed term bank accounts, UK Gilts and can also be invested in non-qualifying unquoted investments.

Remuneration Policy

The Company's policy on the remuneration of its directors, all of whom being non-executive directors, can be found on page 43 of the annual report.

Other Key Policies

Details of the Company's policies on the payment of dividends, the DRIS and the buy-back of shares are given on page 2 of the annual report. In addition to these the Company's anti-bribery and environmental and social responsibilities policies can be found on page 32 of the annual report.

Processes and Operations

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

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

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

The Board reviews the terms of YFM Private Equity Limited's appointment as Investment Adviser on a regular basis. Four changes since 31 March 2014 have been agreed:-

- **i.** effective from 1 October 2013 YFM Private Equity Limited has agreed that, where fees it receives from an investee company on the completion of new and follow-on investments to 31 March each year are above a set percentage of the amount invested, the excess will be rebated back to the Company;
- ii. effective from 1 October 2013 any annual monitoring or directors' fees received by the Investment Adviser from an investee company must be no greater than £40,000 per annum; and
- iii. effective from 1 April 2014, the amount of any incentive fee payable in any one year shall be capped such that, when combined with other costs, the Total Expense Ratio will not exceed 5.0 per cent of the net asset value after taking account of realised gains. Details of the performance incentive arrangement changes are given in note 3 on page 60 of the annual report; and
- iv. as a result of the Company becoming a Small Registered Alternative Investment Fund Manager, with effect from 20 July 2014 YFM Private Equity Limited became the Company's Investment Adviser.

YFM Private Equity Limited has performed investment management or advisory, administrative and secretarial duties 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 on page 60 of the annual report.

Performance Incentive

The Investment Adviser will receive an incentive payment equal to 20 per cent of the amount by which dividends paid in the relevant accounting period exceed 4.0 pence per ordinary share (increasing in line with RPI) once cumulative dividends of 10.0 pence per ordinary share from 1 April 2009 have been paid. These incentive payments are subject to cumulative shortfalls in any prior accounting periods being made up and the average net asset value per ordinary share in the relevant accounting period being not less than 94.0 pence per ordinary share, as adjusted for the impact of share issues and buy-backs. More detail on the agreement as amended from time to time is given in note 3 on page 60 of the annual report.

No payment can be made in respect of the year to 31 March 2015 under the Incentive Agreement unless the average quarterly adjusted net asset value of the Company is a minimum of 92.7 pence per ordinary share and, in addition, at least 4.8 pence per ordinary share in dividends has been paid to shareholders. The total dividends paid in the year are 8.0 pence per ordinary share and the net asset value per share at 31 March 2015 is 98.8 pence per share. As a result the Investment Adviser has met the targets for the year under review and a performance fee of £564,329 has accrued to the Investment Adviser (31 March 2014: £220,531). Payment is made five business days after the relevant Annual General Meeting at which the audited accounts are presented to shareholders.

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

Administration of the UK Fixed Income Securities Portfolio

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

Key Performance Indicators

The commonly used benchmarks for performance of VCT's are total return, calculated as cumulative dividends paid plus net asset value, and dividends paid.

Total Return

The evaluation of comparative success of the Company's total return is by way of reference to the share price total return for approximately 60 generalist VCTs as published by the Association of Investment Companies ("the AIC"). This is the Company's stated benchmark index. A comparison and explanation of the calculation of this return is shown in the Directors' Remuneration Report on page 45 of the annual report.

Dividends Paid

The average dividend paid over the last 5 years (including the 18p special dividend paid in 2012) was 9.75p equivalent to a 9.9 per cent yield per annum.

Shareholder Returns

The table below shows the cumulative dividends, the total return on each fundraising round per ordinary share and the total return if a shareholder had opted to participate in the Company's DRIS. The cumulative dividend and total return figures in this table exclude the benefits of all tax reliefs whilst the last two columns include the benefit of tax reliefs as noted.

Tax year	Offer price	Offer price net of initial tax relief	Net asset value at 31 March 2015	Cumulative dividends paid since fundraising	Total return since fundraising[1]	Overall return including tax relief since fundraising without participation in the DRIS[2]	Overall return including tax relief since fundraising with participation in the DRIS)[3]
	Pence	Pence	Pence	Pence	Pence	Pence	Pence
1995/96 & 1996/97	100.0	80.0	98.8	98.7	197.5	217.5	274.6
1996/97 & 1997/98	100.0	80.0	98.8	95.7	194.5	214.5	273.7
1997/98 & 1998/99	105.0	84.0	98.8	92.0	190.8	211.8	273.5
2004/05 (C share[4])	100.0	60.0	111.1	72.2	183.3	223.3	275.7
2005/06	99.5	59.7	98.8	68.3	167.1	206.9	270.9
2006/07 & 2007/08	102.5	71.8	98.8	63.8	162.6	193.3	249.5
2007/08 & 2008/09	106.3	74.4	98.8	58.8	157.6	189.5	238.1
2009/10 & 2010/11	97.3	68.1	98.8	48.8	147.6	176.8	210.2
2010/11 & 2011/12	128.0	89.6	98.8	42.5	141.3	179.7	205.4
2011/2012	99.8	69.8	98.8	19.5	118.3	148.3	158.1
2012/13 & 2013/14	95.8	67.0	98.8	14.5	113.3	142.1	148.7
2013/14 & 2014/15	100.8	70.5	98.8	8.0	106.8	137.1	140.3
2014/15 & 2105/16	99.5	69.7	98.8	0.0	98.8	128.6	128.6

Notes

1. This assumes that at the time of investment the tax relief given on the investment was not invested in shares of the Company.
2. NAV plus cash dividends paid plus tax relief on the initial subscription.
3. NAV plus tax relief on the initial subscription plus additional tax relief and NAV on DRIS shares purchased. Assuming all dividends since inception were invested under terms of current DRIS.
4. All figures have been adjusted for conversion of C shares into ordinary shares in May 2007.

Expenses

The Board monitors expenses using the Ongoing Charges figure, as calculated in line with the AIC recommended methodology. This figure shows shareholders the annual operating expenses expressed as a percentage of the net asset value which, whilst based on historical information, provides an indication of the likely level of costs that will be incurred in managing the fund in the future.

	Year to 31 March 2015 (%)	Year to 31 March 2014 (%)
Ongoing Charges figure	2.29	2.26

Costs Cap Reduction

The Ongoing Charges figure replaces the Total Expense Ratio (TER%) previously reported. The TER% is calculated as the annual ongoing charges (excluding any performance related fees, trail commission payable to financial intermediaries, and VAT) over total net asset value as at the relevant period end and forms the basis of any expenses in excess of the operating costs cap described in note 3 on page 59 of the annual report. There was no breach of the expenses cap in the current or prior year. Following the final allotment in respect of the recent fundraising I am delighted to announce that the costs cap has been reduced from 3.25 per cent to 2.9 per cent.

Compliance with VCT Legislative Tests

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

VCT Status Advisers

The Company's VCT Status Advisors are PricewaterhouseCoopers LLP and Robertson Hare LLP.

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

Income Test

The Company's income in the period must be derived wholly or mainly (70 per cent) from shares or securities. The Company complied with this test in the period, with 94.0 per cent (2014: 92.7 per cent) of income being derived from such sources. Included within this calculation is £131,000 of interest income which has been fully provided against in the Statement of Comprehensive Income.

Retained Income Test

The Company must not retain more than 15 per cent of its income from shares and securities. The Company complied with this test in the period, with 0 per cent (2014: 13.6 per cent) of income being retained in the period subject to payment of the final dividend to be approved at the Annual General Meeting on 29 July 2015.

Qualifying Holdings Test

At least 70 per cent by value of the Company's investments must be represented throughout the period by shares or securities comprised in qualifying holdings of investee companies. The Company complied with this test, with 90.5 per cent (2014: 82.6 per cent) of value being in qualifying holdings.

Eligible Shares Test

At least 30 per cent of the Company's qualifying holdings must be represented throughout the period by holdings of non-preferential ordinary shares. The Company complied with this test, with 40.5 per cent (2014: 44.2 per cent) of value being in holdings of eligible shares.

For monies raised from 6 April 2011 onwards the eligible shares test highlighted above increases to at least 70 per cent of qualifying holdings that must be represented by eligible shares. The Company complied with this test, with 87.4 per cent of value being in holdings of eligible shares.

In addition, monies raised from share issues from 6 April 2012 onwards are not permitted to be used to finance buy-outs or otherwise to acquire existing shares. There is also an annual limit for each investee company which provides that they may not raise more than £5.0 million of state aid investment (including from VCTs) in the 12 months ending on the date of each investment.

The Board and Investment Adviser are mindful of these additional requirements and of balancing investments to ensure continued compliance.

Maximum Single Investment Test
The value of any one investment at any time in the period, must not represent more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and further additions and therefore cannot be breached passively. The Company has complied with this test with the highest such value being 4.0 per cent (2014: 4.7 per cent).

Other
The Finance Bill 2014 contained conditions/restrictions with respect to the use of monies in respect of VCTs. In particular, no dividends can be paid out of cancelled share premium arising from shares allotted on or after 6 April 2014 until at least three financial years have elapsed. In the case of the Company this is 31 March 2018.

From the share premium cancellation of £26.80 million on 10 October 2014, £24.71 million will be available for distribution following the filing of the annual report and accounts and an additional £2.09 million will become distributable on 1 April 2018.

Investment Performance

Set out on page 15 of the annual report is a profile of the investment portfolio by age, value compared to cost and by investment instrument.

This illustrates the broad range of the investment portfolio, with almost half of the portfolio being held for more than 3 years, while 88 per cent is held at cost or above.

60 per cent of the portfolio's value is held in income generating financial instruments, enabling a greater proportion of the Company's future returns to derive from income rather than capital.

Also included on page 15 of the annual report is a profile of the investment portfolio by industry sector and financing stage.

Investment Review

The improving economic outlook and change in EU restrictions which increased the annual investment limit from £1 million to £5 million in a 12 month period for qualifying VCT investments are contributing to an increase in the volume and scale of investment opportunities with the trend continuing into 2015.

There has been considerable progress in many of the businesses in the Company's investment portfolio during the year. A total value gain of £4.04 million excluding movements due to new investments and realisations has enabled the Company to maintain its strong returns record and is further analysed below:

Investment portfolio	£000	%
Unquoted value gain	3,246	88.5
Quoted value loss	(810)	(20.1)
Gain on disposal over opening value	1,567	38.8
Total Value Movement excluding gilt portfolio	**4,003**	**99.2**
Gilt portfolio	32	0.8
Total Value Movement	**4,035**	**100.0**

At 31 March 2015 the investment portfolio was valued at £55.5 million (£39.9 million at 31 March 2014). Cash and gilt investments at 31 March 2015 were £32.2 million which includes £22.1 million from the recent fundraising and represents 36.7 per cent of net assets.

Significant Investment Movements

The main drivers of the £3.25 million net unrealised value gain from the unquoted portfolio were:

- Several businesses saw significant value gains following profit growth; IO Outsourcing Limited (value gain of £0.97 million), GTK (Holdco) Limited (value gain of £0.85 million), Mangar Health Limited (value gain of £0.82 million), President Engineering Group Ltd (value gain of £0.78 million), GO Outdoors Topco Limited (value gain of £0.53 million) and Leengate Holdings Limited (value gain of £0.38 million);
- Teraview Limited closed a $10 million funding round including a US trade investor (value gain of £0.50 million); and
- Two businesses experienced a drop in profits due to exposure to defence sector budget cuts; Deep-Secure Ltd (down £1.06 million) and Seven Technologies Holdings Limited (down £0.99 million). There are now encouraging signs that these markets are improving.

The principal reason for the £0.81 million net reduction in the value of the quoted investments was a value fall of £0.61 million in Pressure Technologies plc impacted by the steep fall in the oil price during 2014, although some of this value has been recovered since the year end.

Investments
During the year ended 31 March 2015 the Company completed 15 investments located across the UK totalling £19.1 million, as detailed below.

	£million
New Investments	16.83
Follow-on Investments:	2.19
Total cash investments	**19.02**
Capitalised interest and non-cash proceeds	0.04
Total invested	**19.06**

The new investments during the year totalled £16.83 million:

- In May 2014 the Company invested £2.93 million to fund the management buyout of Intelligent Office UK Limited, a leading provider of business process outsourcing solutions to the UK legal sector.
- In June 2014 the Company provided £0.25 million of growth capital funding to Intamac Systems Limited, which develops technology for the connected home.
- In June 2014 the Company invested £1.26 million to fund the management buyout and growth capital for Macro Art Holdings Limited, a specialist wide-format digital printer.
- In September 2014 the Company funded the management buyout and provided development capital with an investment of £1.90 million into The Heritage Window Company Holdco Limited, a specialist manufacturer and supplier of slim line aluminium windows.
- In October 2014 the Company invested £0.25 million as part of an AIM placing to support the expansion of Gamma Communications plc, a leading provider of voice, data and mobile communication services to UK businesses.
- In October 2014 the Company invested £1.80 million to support the management buyout of Cambrian Park & Leisure Homes Limited, the largest holiday lodge builder in Wales.
- In October 2014 the Company invested £1.78 million to support the management buyout of Springboard Research Holdings Limited, a leading provider of retail performance monitoring and data services.
- In November 2014 the Company invested £2.07 million to support the management buyout and future growth plans of ACC Aviation, a specialist broker of leasing and chartering services to international airlines.
- In November 2014 the Company invested £2.01 million in backing the management buyout of market leading software company Business Collaborator Limited which facilitates design and management services within the construction sector.
- In December 2014 the Company invested £1.08 million in the management buyout of Wakefield Acoustics Limited, a specialist supplier of industrial acoustic solutions.
- In March 2015 the Company invested £1.50 million in Ness (Holdings) Limited, an established womenswear lifestyle brand selling clothing and accessories via a chain of 11 retail stores in Scotland and England.

Follow-on Investments
The £2.19 million of investments into existing portfolio companies during the year was dominated by £1.91 million invested into kitchen manufacturer and retailer Harvey Jones Holdings Limited in the form of a high-yielding debt instrument.

Disposal of Investments
During the year to 31 March 2015 the Company received proceeds from disposals, repayments of loans and deferred consideration from the investment portfolio of £7.40 million, excluding the sale of fixed income securities. Overall this resulted in a value gain on disposal of investments of £1.57 million and a realised gain on cost of £4.30 million. This is analysed below.

Disposal of Investments	Net proceeds from sales of investments £000	Cost of investments £000	Opening value 31 March 2014 £000	Gain on opening value £000	Gain on cost £000
Sale of portfolio investments	7,394	3,059	5,827	1,567	4,335
Deferred proceeds received	3	-	3	-	3
Investment portfolio disposals	7,397	3,059	5,830	1,567	4,338
Fixed income securities disposals	960	996	960	-	(36)
Total investment and fixed income securities disposals	**8,357**	**4,055**	**6,790**	**1,567**	**4,302**

In December 2014 the Company realised its investment in leading independent contract caterer Waterfall Services Limited. Proceeds from the sale in December were £3.85 million, a profit on the 31 March 2014 carrying value of £1.48 million and a profit on cost of £3.75 million.

A detailed analysis of all investments sold in the year can be found in note 7 to the financial statements on page 65 of the annual report.

Portfolio Composition

As at 31 March 2015 the portfolio of quoted and unquoted investments had a value of £55.5 million of which unquoted investments constituted 95 per cent and the quoted investments 5 per cent. An analysis of the movements in the year is shown on page 21 of the annual report.

The objective of increasing diversification within the portfolio continues to be successful, with the largest single investment representing 7.4 per cent of the net asset value (2014: 10.2 per cent). This continues the recent trend where by comparison, four years ago the largest investment represented 32.8 per cent. Following an active investment period there are now 20 unquoted portfolio investments with a value of £1 million or more at 31 March 2015 compared to only 11 a year earlier.

The charts on page 15 of the annual report show the composition of the portfolio as at 31 March 2015 by industry sector, age of investment, asset class, investment instrument, value compared to cost and the stage of financing at the point of investment. This demonstrates representation across a wide range of industry sectors.

The Company has continued to hold a small proportion of its cash in fixed income UK Government Gilts and A-rated deposit accounts.

Valuation Policy

Unquoted investments are valued in accordance with the valuation policy set out on page 55 of the annual report, which takes account of current industry guidelines for the valuation of venture capital portfolios. Adjustments to fair value are made where an investment is significantly under-performing. As at 31 March 2015 the number of investments falling into each valuation category is shown in the table below:

Valuation basis	**Valuation £000**	**% of portfolio by value**
Earnings multiple	38,264	69%
Cost, reviewed for change in fair value	13,364	24%
Price of recent investment, reviewed for change in fair value	1,032	2%
Quoted investments at bid price	2,869	5%
Total	**55,529**	**100%**

Summary and Outlook

The year has seen an increased rate of investment and the current favourable economic conditions are expected to continue through 2015. This has enabled the investment portfolio to grow substantially during the year assisted by further value growth from the opening portfolio.

The Company maintains a cautious approach to new investments: only backing proven business models with a clear strategy for value growth. We will look to improve the portfolio's income yield and continue to diversify its sector and geographical coverage in order to increase the stability of the Company's returns.

We believe that the increasing level of investment, together with potential portfolio exits, has the potential to meet the Company's objectives of increasing dividends while preserving and enhancing the underlying net asset value per share.

Investment Portfolio Summary and Disposal History to 31 March 2015

Current Investments:	Date of Initial Investment	Location	Industry Sector	Current Cost £000	Investment Valuation at 31 March 2015 £000	Proceeds to Date* £000	Return to Date** £000
Unquoted portfolio							
GO Outdoors Topco Limited	May-98	Sheffield	Retail & Brands	245	6,488	7,792	14,280
President Engineering Group Ltd	Sep-10	Sheffield	Manufacturing & Industrial Services	500	4,559	500	5,059
DisplayPlan Holdings Limited	Feb-10	Hertfordshire	Business Services	542	3,286	986	4,272
Intelligent Office (via IO Outsourcing Limited)	May-14	Alloa	Business Services	2,934	3,899	-	3,899
Mangar Health Limited	Jan-14	Powys	Healthcare	2,460	3,279	-	3,279
Seven Technologies Holdings Limited	Apr-12	Belfast	Software It & Telecoms	1,984	1,606	1,524	3,130
Harvey Jones Holdings Limited	May-07	London	Retail & Brands	1,984	2,010	699	2,709
GTK (Holdco) Limited	Oct-13	Basingstoke	Manufacturing & Industrial Services	1,237	2,084	513	2,597
Gill Marine Holdings Limited	Sep-13	Nottingham	Retail & Brands	2,500	2,382	-	2,382
ACC Aviation (via Newacc (2014) Limited)	Nov-14	Reigate	Business Services	2,068	2,068	-	2,068
Business Collaborator Limited	Nov-14	Reading	Business Services	2,010	2,010	-	2,010
RMS Group Holdings Limited	Jul-07	Goole	Manufacturing & Industrial Services	180	1,034	897	1,931
The Heritage Window Company Holdco Limited	Sep-14	Sevenoaks	Manufacturing & Industrial Services	1,903	1,903	-	1,903
Cambrian Park & Leisure Homes Limited	Oct-14	Gwynedd	Manufacturing & Industrial Services	1,775	1,775	25	1,800
Springboard Research Holdings Limited	Oct-14	Bedfordshire	Business Services	1,778	1,778	-	1,778
Leengate Holdings Limited	Dec-13	Derbyshire	Manufacturing & Industrial Services	1,401	1,776	-	1,776
Ness (Holdings) Limited	Mar-15	Edinburgh	Retail & Brands	1,500	1,500	-	1,500
Macro Art Holdings Limited	Jun-14	Cambridgeshire	Business Services	1,204	1,441	56	1,497
Wakefield Acoustics (via Malvar Engineering Limited)	Dec-14	Cleckheaton	Business Services	1,080	1,080	-	1,080
Bagel Nash Group Limited	Jul-11	Leeds	Retail & Brands/Manufacturing & Industrial Services	1,070	862	170	1,032
Callstream Group Limited	Sep-10	Henley-in-Arden	Software, IT & Telecoms	329	750	264	1,014
Fairlight Bridge Limited	Apr-12	Midlands	Business Services	1,000	1,000	-	1,000
Harris Hill Holdings Limited	Jun-07	Kingston-upon-Thames	Business Services	600	759	-	759
Insider Technologies (Holdings) Limited	Aug-12	Manchester	Software, IT & Telecoms	1,170	755	-	755
Deep-Secure Ltd	Dec-09	Malvern	Software, IT & Telecoms	1,000	692	-	692
Selima Limited	Mar-12	Sheffield		600	602	-	602
Teraview Limited	Dec-11	Cambridge	Software, IT & Telecoms	375	502	-	502
PowerOasis Limited	Nov-11	Swindon	Energy Infrastructure	445	445	-	445

Intamac Systems Limited	Jun-14	Northampton	Software, IT & Telecoms	250	250	-	250
Other	-	-	-	1,539	85	-	85
				37,663	52,660	13,426	66,086
Quoted portfolio							
Mattioli Woods plc	Nov-05	Leicester	Business Services	201	768	393	1,161
Pressure Technologies plc	Jun-07	Sheffield	Manufacturing & Industrial Services	182	265	675	940
Hargreaves Services plc	Dec-07	Durham	Manufacturing & Industrial Services	310	240	505	745
AB Dynamics plc	May-13	Wiltshire	Manufacturing & Industrial Services	380	666	-	666
EKF Diagnostics Holdings plc	Jul-10	London	Healthcare	448	436	226	662
Gamma Communications plc	Oct-14	Reading	Software, IT & Telecomms	253	358	-	358
Cambridge Cognition Holdings plc	May-02	Cambridge	Healthcare	203	136	65	201
Other	-	-	-	190	-	942	942
				2,167	2,869	2,806	5,675
				39,830	**55,529**	**16,232**	**71,761**
Full disposals since 31 March 2002				19,019	-	29,208	29,208
Full disposals prior to 31 March 2002				5,748	-	1,899	1,899
Total investment portfolio				64,597	55,529	47,339	102,868

* Proceeds include premiums and profits on loan repayments and preference redemptions.

** Return to date comprises the investment valuation at 31 March 2015 plus proceeds to date.

Summary of Investment Portfolio Movement since 31 March 2014

Name of company	Investment Valuation at 31 March 2014	Disposal proceeds	Additions including capitalised Interest	Valuation gains (losses) including profits (losses) on disposal	Investment Valuation at 31 March 2015
GO Outdoors Topco Limited	6,371	(412)	32	497	6,488
President Engineering Group Ltd	4,078	(300)	-	781	4,559
Intelligent Office (via IO Outsourcing Limited)	-	-	2,934	965	3,899
DisplayPlan Holdings Limited	3,854	(564)	-	(4)	3,286
Mangar Health Limited	2,460	-	-	819	3,279
Gill Marine Holdings Limited	2,500	-	-	(118)	2,382
GTK (Holdco) Limited	1,693	(456)	-	847	2,084
ACC Aviation (via Newacc (2014) Limited)	-	-	2,068	-	2,068
Business Collaborator Limited	-	-	2,010	-	2,010
Harvey Jones Holdings Limited	900	(699)	1,905	(96)	2,010
The Heritage Window Company Holdco Limited	-	-	1,903	-	1,903
Springboard Research Holdings Limited	-	-	1,778	-	1,778
Leengate Holdings limited	1,401	-	-	375	1,776
Cambrian Park & Leisure Homes Limited	-	(25)	1,800	-	1,775
Seven Technologies Holdings Limited	2,596	-	-	(990)	1,606
Ness (Holdings) Limited	-	-	1,500	-	1,500
Macro Art Holdings Limited	-	(56)	1,260	237	1,441
Wakefield Acoustics (via Malvar Engineering Limited)	-	-	1,080	-	1,080
RMS Group Holdings Limited	878	-	-	156	1,034
Fairlight Bridge Limited	1,000	-	-	-	1,000
Bagel Nash Group Limited	897	(120)	8	77	862
Mattioli Woods plc	857	(200)	-	111	768
Harris Hill Holdings Limited	643	-	-	116	759
Insider Technologies (Holdings) Limited	880	-	-	(125)	755
Callstream Group Limited	752	(134)	-	132	750
Deep-Secure Ltd	1,751	-	-	(1,059)	692
Teraview Limited	-	-	-	502	502
Pressure Technologies plc	1,038	(160)	-	(613)	265
Waterfall Services Limited	2,372	(3,854)	-	1,482	-
Other investments	2,941	(414)	780	(89)	3,218
Total investment portfolio	**39,862**	**(7,394)**	**19,058**	**4,003**	**55,529**

Risk Factors

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

The Board seeks to mitigate its principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in section C.2:"Risk Management & Internal Control" of The UK Corporate Governance Code issued by the Financial Reporting Council in September 2012. Details of the Company's internal controls are contained in the Corporate Governance and Internal Control sections on pages 41 and 42 of the annual report and further information on exposure to risks including those associated with financial instruments is given in note 17a of the financial statements.

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

Mitigation - One of the Key Performance Indicators monitored by the Company is the compliance with legislative tests. Details of how the Company manages these requirements can be found under the heading "Compliance with VCT Legislative Tests" on page 14 of the annual report.

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 2 of the annual report) and a diversified portfolio operating in a range of sectors. The Investment Adviser actively monitors investee performance which provides quality information for the regular review of the portfolio.

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

Mitigation **-** The Board reviews strategy annually. At each of the Board meetings the directors review the appropriateness of the Company's objectives and stated strategy in response to changes in the operating environment and peer group activity. The Investment Adviser carries out due diligence on potential investee companies and their management teams and utilises external reports where appropriate to assess the viability of investee businesses before investing. Wherever possible an external non-executive director will be appointed to the board of the investee on behalf of the Company, more often than not in the role of Chairman.

Regulatory
Risk – The Company is required to comply with the Companies Act 2006, the rules of the UK Listing Authority, the Prospectus Rules made by the Financial Conduct Authority and International Financial Reporting Standards as adopted by the European Union and is subject to the EU's Alternative Investment Fund Manager's Directive which took effect from 22 July 2014. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Mitigation - The Investment Adviser and the Company Secretary have procedures in place to ensure ongoing Listing Rules requirements are met and actively consults with brokers, solicitors and external compliance advisers as appropriate. The key controls around regulatory compliance are explained on page 41 and 42 of the annual report.

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

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

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

Mitigation - The Investment Adviser has a documented disaster recovery plan.

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

Mitigation - The key controls around financial reporting are described on page 41 and 42 of the annual report.

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

Mitigation - Overall liquidity risks are monitored on an ongoing basis by the Investment Adviser and on a quarterly basis by the Board. Sufficient liquid resources are maintained to pay expenses as they fall due in the event that investments prove difficult to realise.

Other Matters

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

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 Investment Adviser. YFM Private Equity Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies to reduce any damage that might be caused by its activities. Initiatives of the Investment Adviser designed to minimise its and the Company's impact on the environment include recycling and reducing energy consumption. Given the size and nature of the Company's activities and the fact that it has no employees, the Board considers there is limited scope to develop and implement social and community policies.

Anti-Bribery and Corruption Policy
The Company has a zero tolerance approach to bribery. The following is a summary of its policy:

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare a Strategic Report, Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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

Website Publication

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

Directors' Responsibilities Pursuant to DTR4

The directors confirm to the best of their knowledge:

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

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

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

The names and functions of all the Directors are stated on page 33 of the annual report.

For and on behalf of the Board

This statement was approved by the Board and signed on its behalf on 19 June 2015

Helen Sinclair
Chairman

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

		2015			2014		
		Revenue	**Capital**	**Total**	Revenue	Capital	Total
	Notes	**£000**	**£000**	**£000**	£000	£000	£000
Gain on disposal of investments		**-**	**1,567**	**1,567**	-	691	691
Gains on investments held at fair value		**-**	**2,468**	**2,468**	-	5,969	5,969
Income	2	**2,310**	**-**	**2,310**	1,341	-	1,341
		2,310	**4,035**	**6,345**	1,341	6,660	8,001
Administrative expenses:	3						
Investment Adviser's fee		**(318)**	**(954)**	**(1,272)**	(221)	(665)	(886)
Incentive fee		**-**	**(564)**	**(564)**	-	(221)	(221)
Other expenses		**(466)**	**-**	**(466)**	(369)	-	(369)
		(784)	**(1,518)**	**(2,302)**	(590)	(886)	(1,476)
Profit before taxation		**1,526**	**2,517**	**4,043**	751	5,774	6,525
Taxation	4	**(103)**	**103**	**-**	(105)	105	-
Profit for the year		**1,423**	**2,620**	**4,043**	646	5,879	6,525
Total comprehensive income for the year		**1,423**	**2,620**	**4,043**	646	5,879	6,525
Basic and diluted earnings per ordinary share (p)	6	**2.10p**	**3.88p**	**5.98p**	1.30p	11.84p	13.14p

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP') 2009 published by The AIC.

BALANCE SHEET AT 31 MARCH 2015

	Notes	2015 £000	2014 £000
Assets			
Non-current assets			
Investments		**55,529**	39,862
Fixed income government securities		**2,438**	2,403
Financial assets at fair value through profit or loss	7	**57,967**	42,265
Trade and other receivables		**603**	151
		58,570	42,416
Current assets			
Trade and other receivables		**497**	243
Cash on fixed term deposit		**-**	2,000
Cash and cash equivalents		**29,775**	18,962
		30,272	21,205
Liabilities			
Current liabilities			
Trade and other payables		**(1,122)**	(1,037)
Net current assets		**29,150**	20,168
Net assets		**87,720**	62,584
Shareholders' equity			
Share capital		**9,205**	6,386
Share premium account		**20,936**	23,165
Capital redemption reserve		**221**	221
Capital reserve		**40,334**	16,535
Investment holding gains		**15,735**	15,879
Revenue reserve		**1,289**	398
Total shareholders' equity		**87,720**	62,584
Basic and diluted net asset value per ordinary share	8	**98.8p**	102.0p

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Capital reserve £000	Investment holding gains (losses) £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2013	**4,661**	**7,236**	**221**	**19,349**	**9,259**	**1,363**	**42,089**
Revenue return for the year before tax	-	-	-	-	-	*751*	*751*
Capital expenses	-	-	-	*(886)*	-	-	*(886)*
Gain on investments held at fair value	-	-	-	-	*5,969*	-	*5,969*
Gain on disposal of investments in the year	-	-	-	*691*	-	-	*691*
Taxation	-	-	-	*105*	-	*(105)*	-
Total comprehensive income for the year	-	-	-	(90)	5,969	646	6,525
Issue of share capital	*1,799*	*16,302*	-	-	-	-	*18,101*
Issue costs	-	*(915)*	-	-	-	-	*(915)*
Issue of shares – DRIS	*69*	*562*	-	-	-	-	*631*
Issue costs - DRIS	-	*(20)*	-	-	-	-	*(20)*
Purchase of own shares	-	-	-	*(606)*	-	-	*(606)*
Dividends	-	-	-	*(1,610)*	-	*(1,611)*	*(3,221)*
Treasury share cancellation	*(143)*	-	-	*143*	-	-	-
Total transactions with owners	1,725	15,929	-	(2,073)	-	(1,611)	13,970
Realisation of prior year investment holding losses	-	-	-	(651)	651	-	-
Balance at 31 March 2014	**6,386**	**23,165**	**221**	**16,535**	**15,879**	**398**	**62,584**
Revenue return for the year before tax	-	-	-	-	-	*1,526*	*1,526*
Capital expenses	-	-	-	*(1,518)*	-	-	*(1,518)*
Gain on investments held at fair value	-	-	-	-	*2,468*	-	*2,468*
Gain on disposal of investments in the year	-	-	-	*1,567*	-	-	*1,567*
Taxation	-	-	-	*103*	-	*(103)*	-
Total comprehensive income for the year	-	-	-	152	2,468	1,423	4,043
Issue of share capital	*2,693*	*24,768*	-	-	-	-	*27,461*
Issue costs	-	*(1,189)*	-	*(146)*	-	-	*(1,335)*
Issue of shares – DRIS	*126*	*1,040*	-	-	-	-	*1,166*
Issue costs - DRIS	-	*(37)*	-	-	-	-	*(37)*
Purchase of own shares	-	-	-	*(678)*	-	-	*(678)*
Dividends	-	-	-	*(4,943)*	-	*(532)*	*(5,475)*
Share premium cancellation	-	*(26,811)*	-	*26,802*	-	-	*(9)*
Total transactions with owners	2,819	(2,229)	-	21,035	-	(532)	21,093
Realisation of prior year investment holding gains	-	-	-	2,612	(2,612)	-	-
Balance at 31 March 2015	**9,205**	**20,936**	**221**	**40,334**	**15,735**	**1,289**	**87,720**

Reserves available for distribution

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

	Capital reserve £000	Revenue reserve £000	Total equity £000
Distributable reserves as above	**40,334**	**1,289**	**41,623**
Less cancelled share premium not yet distributable	*(2,093)*	-	*(2,093)*
Less interest not yet distributable	-	*(603)*	*(603)*
Reserves available for distribution	**38,241**	**686**	**38,927**

The capital reserve and revenue reserve are both distributable reserves. These reserves total £41,623,000 (2014: £16,933,000) representing an increase of £24,690,000 (2014: £3,779,000 decrease) during the year. The directors also take into account the level of the investment holding gains (losses) reserve and the future requirements of the Company when determining the level of dividend payments.

Of the potentially distributable reserves of £41,623,000 shown above, £603,000 relates to interest which will become distributable once realised in 2018 and 2019 and £2,093,000 of cancelled share premium will become distributable on 1 April 2018.

Upon filing these accounts at Companies House, the reserves available for distribution will be £38,927,000.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £000	2014 £000
Net cash outflow from operating activities		**(435)**	(93)
Cash flows from investing activities			
Cash maturing from / (placed on) fixed term deposit		**2,000**	(500)
Purchase of financial assets at fair value through profit or loss		**(19,981)**	(10,620)
Proceeds from sale of financial assets at fair value through profit or loss		**8,326**	5,093
Net cash outflow from investing activities		**(9,655)**	(6,027)
Cash flows from (used in) in financing activities			
Issue of ordinary shares		**26,953**	17,712
Costs of ordinary share issues*		**(868)**	(234)
Purchase of own ordinary shares		**(956)**	(466)
Share premium reduction costs		**(9)**	(9)
Dividends paid	5	**(5,383)**	(3,221)
Shares issued under DRIS		**1,166**	631
Net cash from financing activities		**20,903**	14,413
Net increase in cash and cash equivalents		**10,813**	8,293
Cash and cash equivalents at the beginning of the year		**18,962**	10,669
Cash and cash equivalents at the end of the year		**29,775**	18,962

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

RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2015 £000	2014 £000
Profit before taxation	**4,043**	6,525
(Increase) in trade and other receivables	**(712)**	(214)
Increase in trade and other payables	**277**	277
Profit on disposal of investments in the year	**(2,468)**	(691)
Profit on investments held at fair value	**(1,567)**	(5,969)
Capitalised interest	**(8)**	(21)
Net cash outflow from operating activities	**(435)**	(93)

1. Principal Accounting Policies

Basis of Preparation
This announcement of the annual results of the Company for the year ended 31 March 2015 has been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost basis as modified by the measurement of investments (including quoted Government Securities) 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 AIC in January 2009 (SORP) to the extent that they do not conflict with IFRSs as adopted by the European Union.

The financial statements are prepared in accordance with IFRSs and interpretations in force at the reporting date. The standards and interpretations applicable for the first time that have been adopted are IFRS 10, 11 and 12, and amendments to IAS 27, 28, 32 and 36. There has been no material impact on the financial statements.

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted early in these financial statements. These include amendments to IFRS 9, 10, 11, 14 and 15 and amendments to IAS 16, 27, 28, 32 and 38. The impact of the new accounting standards and amendments applicable to the Company is not expected to be material to the financial statements.

2. Income

	2015 £000	2014 £000
Dividends from unquoted companies	**458**	156
Dividends from quoted companies	**66**	70
	524	226
Interest on loans to unquoted companies	**1,612**	952
Fixed interest Government securities	**35**	54
Income from investments held at fair value through profit or loss	**2,171**	1,232
Interest on deposits	**139**	109
	2,310	1,341

In addition, an amount of £44,000 (2014: £158,000) of income in relation to loan interest has not been recognised due to uncertainty over its future receipt.

3. Administrative Expenses

	2015 £000	2014 £000
Investment Adviser's fee (net of rebate)	**1,272**	886
Other expenses:		
Incentive fee	**564**	221
Trail commission paid to financial intermediaries	**108**	60
Directors' remuneration (comprises only short term benefits including social security contributions of £9,000 (2014: £7,000)	**101**	83
Administration fee	**59**	58
Listing and registrar fees	**51**	38
General expenses	**50**	40
Printing	**38**	48
Irrecoverable VAT	**29**	20
Auditor's remuneration – audit of the statutory financial statements (excluding irrecoverable VAT)	**22**	22
Audit related assurance services	**8**	-
	2,302	1,476

No fees are payable to the auditor in respect of other services (2014: £nil).
The directors are the Company's only key management personnel.

Fund Administration

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

The key features of the agreement are:

- YFM Private Equity Limited receives an Investment Advisory fee, calculated at half-yearly intervals as at 31 March and 30 September, at the rate of 2 per cent of gross assets less current liabilities. The investment advisory fee is allocated between capital and revenue as described in note 1. The fee is payable quarterly in advance. The increase in the value of the assets resulted in the fee totalling £1,272,000 for the year ended 31 March 2015 (2014: £886,000), net of the rebate set out below;

- Under this same agreement YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee based on £35,000 (at 28 February 1996) per annum plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged fully to revenue and totalled £59,000 for the year to 31 March 2015 (2014: £58,000); and

- Under a deed of variation dated 17 October 2014 YFM Private Equity Limited shall bear the annual operating costs (including the advisory fee set out above but excluding any payment of the performance incentive fee, details of which are set out below and excluding VAT and trail commissions payable to financial intermediaries) of the Company to the extent that those costs exceed 2.9 per cent of the net asset value of the Company, a reduction from the previous level of 3.25 per cent. The excess expenses during the year payable to the Company from YFM Private Equity Limited amounted to £nil (2014: £nil).

When the Company makes investments into its unquoted portfolio the Investment Adviser charges that investee an arrangement fee, calculated by applying a percentage to the investment amount. The Company and the Investment Adviser have agreed that, if the average of the relevant fees during the Company's financial year exceeds 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on holdings this excess will be rebated to the Company. As at 31 March 2015, the Company was due a rebate from the Investment Adviser of £2,570 (2014: £29,800).

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

Following approval of the relevant resolution at the Annual General Meeting of the Company held in August 2009, the incentive scheme set out in the Subscription Rights Agreement was replaced by a revised incentive agreement dated 7 July 2009, as varied by agreements dated 15 August 2014 and 13 October 2014 ("the Incentive Agreement"). Under the Incentive Agreement the Investment Adviser will receive an incentive payment equal to 20 per cent of the amount by which dividends paid in the relevant accounting period exceed 4 pence per ordinary share (increasing in line with RPI) once cumulative dividends of 10 pence per ordinary share from 1 April 2009 have been paid. These incentive payments are also subject to cumulative shortfalls in any prior accounting periods being made up and the average net asset value per ordinary share in the relevant accounting period being not less than 94.0 pence per ordinary share, as adjusted for the impact of share issues and buy-backs.

No payment can be made in respect of the year to 31 March 2015 under the Incentive Agreement unless the average quarterly adjusted net asset value of the Company is a minimum of 92.7 pence per ordinary share and in addition at least 4.8 pence per ordinary share in dividends has been paid to shareholders. Payment is made five business days after the relevant Annual General Meeting at which the audited accounts are presented to shareholders.

With effect from 1 April 2014 the Board has agreed that the amount of the incentive payment paid to the Investment Adviser for any one year shall, when taken with all other relevant costs, ensure that the Total Expenses Ratio is no greater than 5 per cent of the net asset value at the end of the financial year (as adjusted for all realised gains that have been distributed during that year). Any unpaid incentive payment will be carried over to subsequent financial years and be included in the calculation of the Total Expenses Ratio.

Both in the current and prior year, the Investment Adviser had achieved its targets and £564,329 (2014: £220,531) has been accrued within trade and other payables. The incentive fee is payable following the Annual General Meeting on 29 July 2015.

There are also provisions for a compensatory fee in circumstances where the Company is taken over or the Incentive Agreement is terminated, which is calculated as a percentage of the fee that would otherwise be payable under the Incentive Agreement by reference to the accounting period following its termination. In this instance 80 per cent is payable in the first accounting period after such an event, 55 per cent in the second, 35 per cent in the third and nothing is payable thereafter. The maximum fee payable in any 12 month period cannot exceed an amount which would represent 25 per cent or more of the net asset value or market capitalisation of the Company.

Under the terms of the joint offer with British Smaller Companies VCT2 plc launched on 14 January 2014 (which closed on 5 April 2014) YFM Private Equity Limited was entitled to 5.5 per cent of gross subscriptions from execution brokers and 3.5 per cent of gross subscriptions for applications through intermediaries offering financial advice or directly from applicants, less the cost of incentive shares and re-investment of intermediary commission. The net amount payable to YFM Private Equity amounted to £313,048 in total, with £61,177 in the year to 31 March 2015 (2014: £251,871).

Under the terms of the offers with British Smaller Companies VCT2 plc launched on 20 October 2014 (which closed on 22 April 2015) YFM Private Equity Limited was entitled to 5.0 per cent of gross subscriptions from execution brokers and 3.0 per cent of gross subscriptions for applications through intermediaries offering financial advice or directly from applicants, less the cost of incentive shares and re-investment of intermediary commission. The net amount payable to YFM Private Equity amounted to £552,014 in total, with £522,129 payable in the year to 31 March 2015.

YFM Private Equity Limited met all costs and expenses arising from these offers out of these fees, including any early investment incentive and any payment or re-investment of initial intermediary commission (excluding permissible trail commission, which will continue to be met by the Company).

The details of the directors' remuneration are set out in the Directors' Remuneration Report on page 44 of the annual report under the heading "Directors' Remuneration (audited)".

4. Taxation

		2015			2014	
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Profit before taxation	**1,526**	**2,517**	**4,043**	**751**	**5,774**	**6,525**
Profit before taxation multiplied by standard small company rate of corporation tax in the UK of 20%	**305**	**504**	**809**	**150**	**1,155**	**1,305**
Effect of:						
UK dividends received	**(105)**	**-**	**(105)**	**(45)**	**-**	**(45)**
Non taxable profits on investments	**-**	**(807)**	**(807)**	**-**	**(1,332)**	**(1,332)**
Excess advisory expenses	**(97)**	**200**	**103**	**-**	**72**	**72**
Tax charge (credit)	**103**	**(103)**	**-**	**105**	**(105)**	**-**

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

Deferred tax assets of £791,000 (2014: £688,000) calculated at 20 per cent in respect of unrelieved advisory expenses of £3,956,000 as at 31 March 2015 (31 March 2014: £3,440,000) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which the assets can be recovered.

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, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

5. Dividends

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

		2015			2014	
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Final dividend for 2014 of 3.5p per ordinary share (2014: final dividend of 3.5p per ordinary share and a special dividend of 1.0p per ordinary share)	**188**	**2,098**	**2,286**	1,363	860	2,223
Interim dividend for 2015 of 2.0p per ordinary share and a special dividend of 2.5p per ordinary share (2014: interim dividend of 2.0p per ordinary share)	**344**	**2,845**	**3,189**	248	750	998
	532	**4,943**	**5,475**	1,611	1,610	3,221
Unclaimed dividends			**(92)**			-
Dividends paid in the Statement of Cash Flows			**5,383**			3,221

The final dividend of 3.5 pence per ordinary share in respect of the year ended 31 March 2014 was paid on 1 August 2014 to shareholders on the register at 4 July 2014.

The interim dividend of 2.0 pence per ordinary share in respect of the year ended 31 March 2015 was paid on 7 January 2015 to shareholders on the register at 5 December 2014.

The special dividend of 2.5 pence per ordinary share in respect of the year ended 31 March 2015 was paid on 3 March 2015 to shareholders on the register at 6 February 2015.

A final dividend of 3.5 pence per ordinary share in respect of the year to 31 March 2015 has been proposed, amounting to approximately £3.16 million. This dividend has not been recognised in the year ended 31 March 2015 as the obligation will not exist until the dividend is approved by shareholders at the Annual General Meeting on 29 July 2015.

6. Basic and Diluted Earnings per Ordinary Share

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to shareholders of £4,043,000 (2014: £6,525,000) and 67,574,139 (2014: 49,655,831) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue return per ordinary share is based on the revenue profit for the year attributable to shareholders after tax of £1,423,000 (2014: £646,000) and 67,574,139 (2014: 49,655,831) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital return per ordinary share is based on the capital profit for the year after tax attributable to shareholders of £2,620,000 (2014: £5,879,000) and 67,574,139 (2014: 49,655,831) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company issued 28,198,208 new ordinary shares. The Company also repurchased 755,831 of its own ordinary shares, which are held in treasury. The treasury shares have been excluded in calculating the weighted average number of ordinary shares during the year.

The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted earnings per ordinary share are the same.

7. Financial Assets at Fair Value through Profit or Loss

IFRS 13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level within 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 AIM quoted investments or government securities 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 multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The majority of the Company's investments fall into this category.

Each investment is reviewed at least quarterly to ensure that it has not ceased to meet the criteria of the level in which it was included at the beginning of each accounting period. There has been one transfer between these classifications in the period (2014: one). During the year to 31 March 2015 Woodspeen Training plc was delisted from ISDX becoming Woodspeen Training Limited. During the year to 31 March 2014 Cambridge Cognition Limited was listed on AIM becoming Cambridge Cognition Holdings plc. The change in fair value for the current and previous year is recognised through profit or loss.

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

Movements in investments at fair value through profit or loss during the year to 31 March 2015 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1		Level 1	
	Unquoted Investments £000	Quoted Equity Investments £000	**Total Quoted and Unquoted £000**	Fixed Income Securities £000	**Total Investments £000**
Opening cost	22,063	2,710	**24,773**	2,436	**27,209**
Opening investment holding gain (loss)	13,842	1,247	**15,089**	(33)	**15,056**
Opening fair value at 1 April 2014	**35,905**	**3,957**	**39,862**	**2,403**	**42,265**
Transfer between Level 1 & Level 3[1]	48	(48)	**-**	-	**-**
Additions at cost	18,541	509	**19,050**	963	**20,013**
Capitalised interest	8	-	**8**	-	**8**
Disposal proceeds	(6,618)	(776)	**(7,394)**	(960)	**(8,354)**
Net profit on disposal	1,530	37	**1,567**	-	**1,567**
Change in fair value in the year on assets held at 31 March 2014	3,246	(810)	**2,436**	32	**2,468**
Closing fair value at 31 March 2015	**52,660**	**2,869**	**55,529**	**2,438**	**57,967**
Closing cost	37,663	2,167	**39,830**	2,402	**42,232**
Closing investment holding gain	14,997	702	**15,699**	36	**15,735**
Closing fair value at 31 March 2015	**52,660**	**2,869**	**55,529**	**2,438**	**57,967**

1. During the year Woodspeen Training plc was delisted from ISDX becoming Woodspeen Training Limited.

All of the changes in fair value during the year related to assets held at the year end. There have been no individual fair value adjustments downwards during the year that exceeded five per cent of the total assets of the Company (2014: none).

8. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £87,720,000 (2014: £62,584,000) and 88,828,064 (2014: 61,385,687) ordinary shares with voting rights in issue at the year end.

The treasury shares have been excluded in calculating the number of ordinary shares in issue at 31 March 2015.

The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted net asset values per ordinary share are the same.

9. Total Return per Ordinary Share

The total return per ordinary share is calculated on cumulative dividends paid of 98.7 pence per ordinary share (2014: 90.7 pence per ordinary share) plus the net asset value as calculated in note 8.

10. Financial Commitments

At 31 March 2015 the Board had committed a total of £1 million into new portfolio companies subject to satisfactory due diligence and legal completion.

11. Related Party Transactions

Mr P S Cammerman, a director of the Company, is a non-executive director of Pressure Technologies plc, a portfolio company. During the year he received £30,000 (2014: £30,000) from Pressure Technologies plc in respect of his services. He also holds 0.25 per cent equity stake in Pressure Technologies plc.

12. Events after the Balance Sheet Date

Since the end of the reporting period, the Company has completed investments totalling £2.50 million into five acquisition vehicles.

Subsequent to the year end the Company allotted a total of 1,385,722 ordinary shares on 22 April 2015, pursuant to the offer detailed under “Fundraising” on page 7 of the annual report.

13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 March 2015 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at www.hemscott.com/msn/do. They can also shortly be viewed on the Investment Advisor's website at www.yfmep.com. Hard copies of the statutory accounts for the year to 31 March 2015 will be distributed by post to shareholders and will thereafter be available to members of the public from the Company's registered office.

14. Directors

The directors of the Company are: Ms H Sinclair, Mr P S Cammerman and Mr C W E R Buchan.

15. Annual General Meeting

The Annual General Meeting of the Company will be held at Avanta, Soho Room, 25 Sackville Street, London, W15 3AX on 29 July 2015 at 12.00 noon.

16. Final Dividend for the year ended 31 March 2015

Further to the announcement of its final results for the year ended 31 March 2015, the Company confirms that, subject to its approval by shareholders at the forthcoming Annual General Meeting to be held on 29 July 2015, the final dividend of 3.5 pence per ordinary share ("Final Dividend") will be paid on 4 August 2015 to those shareholders on the Company's register at the close of business on 3 July 2015. The ex-dividend date will be 2 July 2015.

17. Dividend Re-investment Scheme

The Company operates a dividend re-investment scheme ("DRIS"). The latest date for receipt of DRIS elections so as to participate in the DRIS in respect of the Final Dividend is the close of business on 20 July 2015.

For further information, please contact:

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