

# BRITISH SMALLER COMPANIES VCT2 PLC

## Annual Financial Report Announcement for

### the Year ended 31 December 2014

British Smaller Companies VCT2 plc (“the Company”) today announces its audited results for the year ended 31 December 2014.

#### **Financial Highlights**

- An increase in total return of 1.7 per cent to 106.4 pence per ordinary share (2013: 104.6 pence per ordinary share).
- An increase in net asset value of 1.8 pence per ordinary share prior to the payment of dividends, representing a 2.7 per cent increase on the opening net asset value.
- Total dividends paid in the year of 4.5 pence per ordinary share (2013: 4.5 pence per ordinary share).
- Total cumulative dividends paid since inception of 43.5 pence per ordinary share (2013: 39.0 pence per ordinary share).
- Proposed final dividend of 2.5 pence per ordinary share in respect of the year ended 31 December 2014.
- Successful joint fundraising with British Smaller Companies VCT plc during the year, raising new funds of £10.2 million for the Company. Following the excellent response to the fundraising launched on 20 October 2014 with British Smaller Companies VCT plc the offers were fully subscribed on 24 March 2015 raising £40 million in aggregate.
- The Company invested a total of £13.6 million into 16 companies during the year, including £12.46 million into 11 new companies and £1.14 million of follow-on investment to support the existing portfolio.
- Successful realisation of the Company’s investment in Waterfall Services Limited. Total proceeds of £1.33 million on the original investment of £0.25 million generated a 5.3x return.

# Strategic Report

The Company is pleased to present its Strategic Report for the year ended 31 December 2014. The purpose of this report is to inform shareholders and help them to assess how the directors have performed in their duty to promote the success of the Company. This Report has been prepared by the directors in accordance with section 414 of the Companies Act 2006.

## Chairman's Statement

Improved economic conditions in 2014 were the background for a very active period for the Company resulting in a positive evolution of the shape of the portfolio. The share offer, which closed on 29 May 2014, raised new funds of £10.2 million. A total of £13.6 million was invested during the year to 31 December 2014 of which £8.1 million was invested in the second half of the year. The eleven new investments made in the year continue our strategy of sector and geographical diversity, with businesses in Scotland, Wales, Cambridgeshire, the Midlands, Yorkshire and London all receiving investment. As at 31 December 2014 the portfolio value was £28.2 million (72 per cent of net assets) which compares to £16.3 million (53 per cent of net assets) a year earlier.

One of the objectives of the Company in building the portfolio is to increase the level of income it receives. I am pleased to report that the majority of new investments include a significant proportion of yielding loans and preference shares. As a result the portfolio income has increased to £1.27 million in the year to 31 December 2014 compared to £0.69 million in 2013. With the benefit of a full year's income from these investments this trend is expected to continue into 2015. The 2014 income exceeded the administrative expenses of the Company by £0.18 million compared to a shortfall of £0.21 million in 2013. Realised gains of £0.87 million increased the surplus to £1.05 million with unrealised gains of £0.11 million taking the aggregate profit for the year to £1.16 million.

Following the strong investment rate in 2014, which is expected to continue into 2015, the Board launched a further share offer alongside British Smaller Companies VCT plc in October 2014 which was fully subscribed by 24 March 2015. These additional funds will ensure that the Company remains well positioned to take advantage of new investment opportunities and to support the portfolio in the coming year. Additionally the increased scale and diversity of the Company will help to underpin consistent returns and improve efficiencies.

## Financial Results

In the year to 31 December 2014 the Company's total return increased by 1.8 pence per ordinary share to 106.4 pence per ordinary share, driven mainly by underlying value growth in the investment portfolio. This equates to an increase of 2.7 per cent on the opening net asset value at 31 December 2013.

During the year the Company has paid total dividends of 4.5 pence per ordinary share, bringing the total cumulative dividends paid since inception to 43.5 pence per ordinary share. The net asset value at 31 December 2014 is 62.9 pence per share as summarised in the table below:

	<b>Pence per ordinary share</b>	<b>£000</b>	
NAV at 31 December 2013		65.6	30,458
Net underlying increase in portfolio	1.6		981
Net income	0.3		176
Issue/buy-back of new shares	(0.1)		10,512
	1.8		11,669
Dividends paid	(4.5)		(2,794)
	(2.7)		8,875
<b>NAV at 31 December 2014</b>		62.9	39,333

The chart on page 11 of the annual report shows in greater detail the movement in total return, net asset value and dividends paid over time.

The investments held at 31 December 2013, amounting to £17.15 million, have over the year increased by £0.98 million to £18.13 million at 31 December 2014. This return comprises a gain over the opening value from the realisation of investments of £0.87 million, and a gain on the revaluation of portfolios of £0.11 million. Strong value gains were seen across many portfolio businesses, as a result of improved trading results and delivery of value growth strategies; these were however partially offset by a decline in the value of two businesses, Seven Technologies Holdings Limited and Deep-Secure Limited, due primarily to a freeze in defence sector spending.

## Shareholder Relations

### Dividends

Your Board remains committed to achieving the objective of a consistent and, where possible, increasing dividend stream over time whilst seeking to maintain capital value. Dividends paid in the year comprise a final dividend of 2.5 pence per ordinary share in respect of the year ended 31 December 2013, and an interim dividend of 2.0 pence per ordinary share in respect of the financial year just ended, totalling 4.5 pence per ordinary share. This represents 6.9 per cent of the opening net asset value per ordinary share and brings the cumulative dividends paid to 43.5 pence per ordinary share.

The Board is pleased to propose a final dividend of 2.5 pence per ordinary share for the year ended 31 December 2014. This final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and if approved will then be paid on 8 June 2015 to shareholders on the register at 8 May 2015. The ex-dividend date is 7 May 2015.

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

The Company operates a DRIS, which gives shareholders the opportunity to re-invest any cash dividends as described on page 2 of the annual report. The DRIS is open to all shareholders, including those who invested under the recent share offers. For the financial year ending 31 December 2014 dividends totalling £0.4 million were invested in the Company by way of the DRIS.

## **Fundraising**

In the 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 VCT plc, to increase its investment capacity. The Company and British Smaller Companies VCT plc received an excellent response and the offers were fully subscribed on 24 March 2015 raising £40 million in aggregate.

## **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 YFM Private Equity Limited (“the Investment Adviser”) and the CEOs of one or more of our investee companies. Our 20<sup>th</sup> 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 presented 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.

The Annual General Meeting of the Company will be held at 12.00 noon on 15 May 2015 at 33 St James Square, London, SW1Y 4JS. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on pages 74 to 76 of the annual report.

## **Regulatory**

On 21 July 2014 the Financial Conduct Authority approved the Company’s application to become a Small Registered UK Alternative Investment Fund Manager 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.

The Company has complied with the new reporting regulations throughout this annual report. The Board hopes these changes will help shareholders gain a greater understanding of the Company’s performance and strategy.

## **Changes to Investment Advisory Agreement**

Your Board has agreed with YFM Private Equity Limited a number of changes to the Investment Advisory Agreement (“the IAA”). In particular it has added clauses that:

- i With effect from 1 October 2013 limit total deal fees paid by investee companies to the Investment Adviser at the point of investment to 3.0 per cent of the total sum invested in new unquoted investments during the financial period, and 2.0 per cent of the total sum invested in follow-on unquoted investments during the financial period. Any excess of total fees over these limits will be rebated to the Company; and
- ii Limit the annual monitoring and directors fees paid by investee companies to the Investment Adviser to a maximum of £40,000 per annum per unquoted investment.

Further details of the IAA are set out in note 3.

## **Subsequent Events**

Since the end of the reporting period, the Company has completed one additional investment for £0.4 million. At the date of this report the Company has approval for four further investments totalling £3.4 million.

## **Outlook**

During the year there have been some indicators of improved economic conditions which have continued into the early part of 2015. Consequently 2014 has been a year of strong new investment levels and this momentum has continued into 2015, although we continue to take a cautious approach and look for businesses with resilient growth strategies. Funds raised under the recent prospectus offer will ensure your Company can continue to take advantage of these opportunities.

Good progress continues to be made across the portfolio to position businesses to grow and realise shareholder value.

Richard Last  
Chairman  
26 March 2015

## Objectives and Key Policies

*The Company's objective is to provide investors with an attractive long-term tax free dividend yield whilst seeking to maintain the capital value of their investment and the Company's status as a venture capital trust.*

### 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 stock, 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 requiring up to £4.5 million of equity. 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 for allocation is 40 per cent to the Company and 60 per cent to British Smaller Companies VCT plc. The Board of the Company has discretion as to whether or not to take up, or in the circumstances where British Smaller Companies VCT plc does not take 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 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.

## Practices 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.

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

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

YFM Private Equity Limited has performed investment advisory, administrative and secretarial services for the Company since its inception on 28 November 2000. The principal terms of the agreement under which these services are performed are set out in note 3.

### Performance Incentive

The Investment Adviser will receive an amount (satisfied by the issue of shares) equivalent to 20 per cent of the amount by which the cumulative dividends paid as at the last Business Day in December in any year plus the middle market quotation per share exceeds 120 pence per share on that same day, multiplied by the number of shares issued and the shares under option (if any). These subscription rights are exercisable in the ratio 95:5 between the Investment Adviser and Chord Capital Limited. Further details are given in note 3.

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

## Key Performance Indicators

The Company monitors a number of key performance indicators, which are typical for VCTs, as detailed below:

### Total Return

The recognised measurement of financial performance in the VCT industry is that of total return (expressed in pence per share) calculated by adding the total cumulative dividend paid to shareholders from the date a company is launched to its current reporting date, inclusive of any tax credits, to the net asset value at that date. The chart on page 11 of the annual report shows the five year total return of your Company, calculated by reference to the net asset value per ordinary share plus cumulative dividends paid per ordinary share.

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.

### 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 while the last two columns include the benefit of tax relief as noted.

Tax year	Offer price	Offer price net of initial tax relief	Net asset value as at 31 December 2014	Cumulative dividends paid since fundraising <sup>1</sup>	Total return since fundraising/date of acquisition	Overall return including tax relief since fundraising without participation in the DRIS <sup>2</sup>	Overall return including tax relief since fundraising with participation in the DRIS <sup>3</sup>
All pence per ordinary share							
2000/01 and 2001/02	100.00	80.00	62.90	43.50	106.40	126.40	155.44
2001/02 and 2002/03	100.00	80.00	62.90	43.50	106.40	126.40	155.44
December 2005 issue of shares on acquisition of British Smaller Technology Companies <sup>4</sup>	100.00	80.00	43.19	28.94	72.13	92.13	142.00
2009/10 and 2010/11	77.25	54.08	62.90	21.50	84.40	107.58	119.07
2010/11 and 2011/12	70.25	49.18	62.90	17.50	80.40	101.48	110.26
2011/12	70.50	49.35	62.90	13.50	76.40	97.55	103.78
2012/13 and 2013/14	68.00	47.60	62.90	9.00	71.90	92.30	96.12
2013/14 and 2014/15	68.00	47.60	62.90	4.50	67.40	87.80	89.41

#### Notes

1. This assumes that at the time of investment the tax relief given on the investment was not also invested in shares of the Company.
2. NAV plus cash dividends paid plus tax relief on initial subscription.
3. NAV plus tax relief on the initial subscription plus additional tax relief and NAV on DRIS shares purchased. Assuming that all dividends since inception were invested under terms of current DRIS.
4. Assuming initial offer price and initial tax relief from original subscription in British Smaller Technology Companies VCT plc.

## 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 percentage reduction in net asset value as a result of recurring operational expenses and, 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. The Ongoing Charges figure has fallen since 31 December 2013 as the raising of additional capital in the year has spread the fixed costs over a larger asset base.

	Year to 31 December 2014 (%)	Year to 31 December 2013 (%)
Ongoing Charges figure	2.56	2.83

The Ongoing Charges figure replaces the Total Expense Ratio (TER%) previously reported. TER% is calculated as the annual ongoing charges (excluding any performance related fees, trail commission payable to financial intermediaries, but excluding 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 58 of the annual report. There was no breach of the cap in the current or prior year. Following the final allotment in respect of the current fundraising the costs cap will be 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. With effect from 1 January 2015 Robertson Hare LLP replaced PricewaterhouseCoopers LLP as VCT Status Adviser to the Company.

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 89.68 per cent (2013: 72.79 per cent) of income being derived from such sources.

### *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 (2013: 0 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 15 May 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 77.54 per cent (2013: 85.04 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 39.95 per cent (2013: 46.42 per cent) of value being in holdings of eligible ordinary 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 76.92 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 has, at any time in the period, not represented more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and further additions and therefore cannot be breached passively. The Company has complied with this test with the highest such value being 5.24 per cent (2013: 6.72 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 December 2017.

From the share premium cancellation of £13.55 million on 10 October 2014, £12.21 million will be available for distribution following the filing of the annual report and accounts and £1.34 million will remain undistributable until 31 December 2017.

## Investment Review

The £13.6 million of investments in the year to 31 December 2014 has significantly increased the scale and diversification of the portfolio.

The improving economic outlook and changes in EU restrictions on qualifying VCT investments allowing investments in any 12 month period up to £5.0 million from VCT funds have contributed to an increase in the volume and size of investment opportunities with this trend continuing into 2015.

Considerable progress has been made by many of the businesses in the Company's investment portfolio during the year with an overall value gain of £0.98 million excluding movements due to investments and realisations. This has enabled the Company to maintain its strong investor returns and is further analysed below. The proposed final dividend is 2.5 pence per ordinary share. Since the year end one investment for £0.4 million has been completed. A further four investments totalling £3.4 million have been approved at the date of this report.

Investment portfolio (excluding fixed income securities)	£000	%
Unquoted value gain	368	37.5
Quoted value loss	(257)	(26.2)
Gain on disposal over opening value	560	57.1
Portfolio movement	671	68.4
Gain from deferred proceeds	310	31.6
<b>Total Value Movement</b>	<b>981</b>	<b>100.0</b>

At 31 December 2014 the investment portfolio was valued at £28.2 million, representing 71.7 per cent of net assets (53.4 per cent at 31 December 2013). Cash at 31 December 2014 was £10.6 million representing 27.0 per cent of net assets (43.3 per cent at 31 December 2013, 46.19 per cent including gilt investments).

### Significant Investment Movements

#### *Unquoted*

The £0.37 million unrealised valuation gain from the unquoted portfolio is as a result of good progress by a number of businesses which have seen profit growth. The top four value gains in the period all resulted from filing of improved profitability:

- GTK (Holdco) Limited (value gain of £0.45 million) supplier of specialist electronic components;
- Mangar Health Limited (value gain of £0.44 million) manufacturer of lifting products for care of the elderly;
- Intelligent Office Limited (value gain of £0.40 million) provider of outsourced business services; and
- Callstream Group Limited (value gain of £0.27 million) supplier of telephone services to SMEs.

These gains were partially offset by two businesses which saw profits impacted by short term reductions in public sector defence budgets:

- Seven Technologies Holdings Limited (down £0.79 million) a supplier of remote telecoms surveillance systems; and
- Deep-Secure Limited (down £0.49 million) supplier of secure communication software to high security government and military departments.

#### *Quoted*

The performance of the quoted portfolio in the period has been mixed resulting in a £0.26 million overall reduction. The two most significant value movements were EKF Diagnostic Holdings plc (a fall of £0.12 million) and Iomart Group plc (a fall of £0.12 million); albeit both have subsequently recovered.

## New Investments

During the year ended 31 December 2014 the Company completed sixteen investments totalling £13.6 million (excluding capitalised interest and non-cash proceeds received on the sale of investments). This comprised of ten new unquoted and one new quoted investment and five follow-on investments into existing portfolio companies and is analysed below.

New and Follow-On Investments		Investments made £m		
Date	Company	New	Follow-on	Total
Jan-14	Mangar Health Limited	1.64		1.64
Mar-14	EKF Diagnostics Holdings plc*		0.06	0.06
May-14	Intelligent Office UK Limited (via IO Outsourcing Limited)	1.96		1.96
May-14	EKF Diagnostics Holdings plc*		0.15	0.15
Jun-14	AB Dynamics plc*		0.10	0.10
Jun-14	Intamac Systems Limited	0.75		0.75
Jun-14	Macro Art Holdings Limited	0.84		0.84
Sep-14	Harvey Jones Holdings Limited		0.80	0.80
Sep-14	The Heritage Window Company Holdco Limited	1.27		1.27
Oct-14	Gamma Communications plc*	0.17		0.17
Oct-14	Cambrian Park & Leisure Homes Limited	1.20		1.20
Oct-14	Springboard Research Holdings Limited	1.19		1.19
Nov-14	ACC Aviation (via NewAcc (2014) Limited)	1.38		1.38
Nov-14	Business Collaborator Limited	1.34		1.34
Dec-14	Wakefield Acoustics (via Malvar Engineering Limited)	0.72		0.72
Dec-14	PowerOasis Limited		0.03	0.03
Invested in the 12 months to 31 December 2014		12.46	1.14	13.60

\*Quoted company

The eleven new investments during the year totalled £12.46 million:

- In January 2014 the Company invested £1.64 million to fund the management buyout of Mangar Health Limited, a world leader in inflatable lifting, handling and bathing equipment for the elderly, disabled and emergency services markets.
- In May 2014 the Company invested £1.96 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 £0.75 million of growth capital funding to Intamac Systems Limited, which develops technology to connect physical products via the internet so they can be monitored and controlled using smart mobile phones and computers.
- In June 2014 the Company invested £0.84 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 £1.27 million into The Heritage Window Company Holdco Limited, a specialist manufacturer and supplier of slim line aluminium windows.
- In October 2014 the Company invested £0.17 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 £1.20 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 £1.19 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 £1.38 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 £1.34 million in backing the management buyout of market leading software company Business Collaborator Limited which facilitates collaboration within the construction sector.
- In December 2014 the Company invested £0.72 million in the management buyout of Wakefield Acoustics, a specialist supplier of industrial acoustic solutions.

The majority of the above investments are valued at cost and will be moved to earnings-based valuations during 2015.

The £1.14 million of investments into existing portfolio companies during the year was dominated by £0.80 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 December 2014 the Company received proceeds from disposals, repayments of loans and deferred consideration of £2.74 million, and £1.37 million from the disposal of fixed income securities. Overall this resulted in a value gain on disposal of investments of £0.87 million compared to 31 December 2013 valuations and a realised gain on cost of £1.71 million. This is analysed below.

Disposal of Investments	Net proceeds from sales of investments £000	Cost of investments £000	Opening value 31 December 2013 £000	Gain on opening value £000	Gain on cost £000
Sale of portfolio investments	2,314	1,036	1,754	560	1,278
Deferred proceeds received	345	-	120	225	345
Deferred proceeds accrued	85	-	-	85	85
Investment portfolio disposals	2,744	1,036	1,874	870	1,708
Fixed income securities disposals	1,365	1,363	1,365	-	2
<b>Total investment and fixed income securities disposals</b>	<b>4,109</b>	<b>2,399</b>	<b>3,239</b>	<b>870</b>	<b>1,710</b>

The most significant proceeds related to:

- In December 2014 the Company realised its investment in leading independent contract caterer Waterfall Services Limited via a secondary buyout backed by LDC. Proceeds from the sale in December were £0.96 million, a profit on the 31 December 2013 carrying value of £0.48 million and a profit on cost of £0.94 million.
- £0.35 million of additional deferred proceeds was received from Beckton Dickinson relating to the trade sale of Sirigen Group Limited in 2012, following successful delivery of the two year development milestones. This brings the total proceeds to date to £1.88 million and increases the cash return to 3.6x.
- During the year the Company sold various shares in quoted holdings. The non-core holdings in Vianet Group plc and Optos plc were realised for £0.33 million in line with the opening 31 December 2013 value. Holdings in Pressure Technologies plc and Iomart Group plc were also partially realised for combined proceeds of £0.30 million, realising a gain on their opening carrying value of £0.06 million.
- Several unquoted investments repaid loan balances totalling £0.72 million following strong cash generation, resulting in a small realised profit on carrying value due to redemption premium. This included DisplayPlan Holdings Limited (£0.23 million), GTK (Holdco) Limited (£0.23 million), Callstream Group Limited (£0.17 million), Bagel Nash Group Limited (£0.08 million) and Macro Art Holdings Limited (£0.02 million).

A further analysis of all investments sold in the year can be found in note 7 to the financial statements on page 63 of the annual report.

### Portfolio Composition

As at 31 December 2014 the portfolio of quoted and unquoted investments had a value of £28.2 million of which the unquoted investments constitute 92 per cent of the value and the quoted investments 8 per cent of the value. An analysis of the movements in the year is shown on page 21 of the annual report.

This year we have continued to improve the diversification of the portfolio. This is probably shown most clearly by the fact that at 31 December 2014 there were 21 investments with a value greater than £0.5 million which compares to 11 a year earlier. Investment company information is shown on pages 22 to 29 of the annual report.

The charts on page 14 of the annual report show the composition of the portfolio as at 31 December 2014 by industry sector, age of investment, asset class and the stage of financing at the point of investment. This demonstrates representation across a wide range of industry sectors.

### 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 December 2014 the percentage of investments falling into each valuation category is shown in the table below:

	Valuation £000	% of portfolio by value
Earnings multiple	16,604	59%
Cost, reviewed for change in fair value	7,843	28%
Price of recent investment reviewed for change in fair value	1,641	5%
Quoted investments at bid price	2,128	8%
<b>Total</b>	<b>28,216</b>	<b>100%</b>

## **Summary and Outlook**

Some clearer signs of economic recovery have been seen during the year but there remains some uncertainty in global markets. Many of the portfolio companies have delivered improved results, focusing on proven brands, niche growth sectors or rolling out new technology. We will maintain a cautious approach to new investments; only backing proven business models with a clear strategy for value growth.

We have seen a marked increase in new investment levels in 2014. This is in part due to changes in EU restrictions on qualifying VCT investments and we expect to see this investment level continue in 2015.

We believe that the increasing level of investment, combined with several good exit prospects over the next few years, affords the Board the opportunity to achieve its aim of increasing dividends whilst preserving and enhancing the underlying net asset value. The increasing diversification of the portfolio should also help to reduce volatility of returns.

## Investment Portfolio Summary to 31 December 2014

	Date of initial investment	Location	Industry sector	Current cost	Proceeds to date*	Valuation at 31 December 2014	Realised and unrealised return to date
Current investments				£000	£000	£000	£000
<b>Unquoted portfolio</b>							
Intelligent Office (via IO Outsourcing Limited)	May-14	Alloa	Business Services	1,956	-	2,355	2,355
DisplayPlan Holdings Limited	Jan-12	Baldock	Business Services	525	228	2,008	2,236
Mangar Health Limited	Jan-14	Powys	Healthcare	1,640	-	2,081	2,081
Gill Marine Holdings Limited	Sep-13	Nottingham	Retail & Brands	1,870	-	1,732	1,732
Seven Technologies Holdings Limited	Apr-12	Belfast	Software, IT & Telecomms	1,238	762	924	1,686
GTK (Holdco) Limited	Oct-13	Basingstoke	Manufacturing & Industrial Services	916	234	1,365	1,599
ACC Aviation (via Newacc (2014) Limited)	Nov-14	Reigate	Business Services	1,379	-	1,379	1,379
Business Collaborator Limited	Nov-14	Reading	Business Services	1,340	-	1,340	1,340
The Heritage Window Company Holdco Limited	Sep-14	Sevenoaks	Manufacturing & Industrial Services	1,268	-	1,268	1,268
Cambrian Park & Leisure Homes Limited (via DWFCO 8 Limited)	Oct-14	Gwynedd	Manufacturing & Industrial Services	1,200	-	1,200	1,200
Harvey Jones Holdings Limited	May-07	London	Retail & Brands	1,193	-	1,194	1,194
Springboard Research Holdings Limited	Oct-14	Bedfordshire	Business Services	1,186	-	1,186	1,186
Leengate Holdings Limited	Dec-13	Derbyshire	Manufacturing & Industrial Services	934	-	1,080	1,080
Callstream Group Limited	Sep-10	Henley-in - Arden	Software, IT & Telecomms	329	265	773	1,038
Immunobiology Limited	Jun-03	Cambridge	Healthcare	1,932	-	987	987
Macro Art Holdings Limited	Jun-14	Cambridgeshire	Business Services	819	21	847	868
RMS Group Holdings Limited	Jul-07	Goole	Manufacturing & Industrial Services	70	349	405	754
Intamac Systems Limited	Jun-14	Northampton	Software, IT & Telecomms	750	-	750	750
Wakefield Acoustics (via Malvar Engineering Limited)	Dec-14	Cleckheaton	Business Services	720	-	720	720
Bagel Nash Group Limited	Jul-11	Leeds	Retail & Brands/ Manufacturing & Industrial Services	732	93	590	683
PowerOasis Limited	Nov-11	Swindon	Software, IT & Telecomms	594	-	594	594
Insider Technologies (Holdings) Limited	Aug-12	Manchester	Software, IT & Telecomms	780	-	522	522

Deep-Secure Limited	Dec-09	Malvern	Software, IT & Telecomms	500	-	424	424
Selima Holding Company Ltd	Mar-12	Sheffield	Software, IT & Telecomms	300	-	304	304
Other				422	-	60	60
<b>Total unquoted investments</b>				<b>24,593</b>	<b>1,952</b>	<b>26,088</b>	<b>28,040</b>
<b>Quoted portfolio</b>							
Pressure Technologies plc	Jun-07	Sheffield	Manufacturing & Industrial Services	120	498	289	787
Iomart Group plc	May-11	London	Software, IT & Telecomms	119	209	231	440
AB Dynamics plc	May-13	Bradford-on-Avon	Manufacturing & Industrial Services	253	-	364	364
Brady plc	Dec-10	Cambridge	Software, IT & Telecomms	134	163	178	341
EKF Diagnostics Holdings plc	Jun-11	London	Healthcare	437	-	340	340
Hargreaves Services plc	Aug-12	Durham	Manufacturing & Industrial Services	325	-	262	262
Gamma Communications plc	Oct-14	Reading	Software, IT & Telecomms	168	-	213	213
Cambridge Cognition Holdings plc	May-02	Cambridge	Healthcare	240	-	141	141
Allergy Therapeutics plc	Oct-04	Worthing	Healthcare	350	-	110	110
<b>Total quoted investments</b>				<b>2,146</b>	<b>870</b>	<b>2,128</b>	<b>2,998</b>
				<b>26,739</b>	<b>2,822</b>	<b>28,216</b>	<b>31,038</b>
Full disposals to date				16,060	22,323	-	22,323
<b>Total investment portfolio</b>				<b>42,799</b>	<b>25,145</b>	<b>28,216</b>	<b>53,361</b>

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

## Disposal History to 31 December 2014

Name of Company	Date of initial investment	Date of disposal or full provision	Industry sector	Cost £000	Proceeds to date £000	Capital return multiple x	Gains (losses) on disposal £000
Cozart plc	Jul-04	Oct-07	Healthcare	1,566	2,978	1.90	1,412
Sarian Systems Limited*	Dec-05	Apr-08	Telecoms	928	2,605	2.81	1,677
DxS Limited	Apr-04	Sep-09	Healthcare	163	2,514	15.42	2,351
Vibration Technology Limited**	Mar-02	Sep-06	Industrial Medical instruments	1,061	2,328	2.19	1,267
Primal Pictures Limited*	Dec-05	Aug-12	Medical Technology	961	2,256	2.35	1,295
Sirigen Group Limited	Jun-10	Aug-12	Medical Technology	517	1,876	3.63	1,359
Amino Technologies plc**	Sep-01	Nov-04	Electronics	415	1,872	4.51	1,457
Waterfall Services Limited	Feb-07	Dec-14	Business Services	483	1,422	2.94	939
Digital Healthcare Limited	Jun-05	Aug-13	Medical instruments	3,072	1,285	0.42	(1,787)
The ART Technology Group Inc**	Apr-03	Oct-09	Software	275	638	2.32	363
Tamesis Limited**	Jul-01	Sep-07	Software	150	317	2.11	167
Optos plc*	Dec-05	Jan-14	Healthcare	152	316	2.08	164
Tekton Group Limited	Dec-05	Dec-06	Software	103	296	2.87	193
Tikit Group plc	May-11	Jan-13	Software	198	283	1.43	85
Oxonica plc**	May-02	Sep-09	Chemical	241	258	1.07	17
Group NBT plc	May-11	Nov-11	IT Support	197	256	1.30	59
Vianet Group plc	Oct-06	Sep-14	Business Services	243	176	0.72	(67)
Patsystems plc	Sep-07	Jan-12	Software	317	164	0.52	(153)
May Gurney Integrated Services plc	May-11	Mar-13	Construction	211	141	0.67	(70)
Arakis Limited	Mar-04	Aug-05	Healthcare	14	108	7.71	94
SoseiCo Limited	Aug-05	Feb-06	Healthcare	158	94	0.59	(64)
Voxar Limited*	Dec-05	Nov-06	Software	-	91	-	91
Sirus Pharmaceuticals Limited**	Sep-01	Mar-04	Healthcare	270	18	0.07	(252)
Broadreach Networks Limited**	Feb-03	Dec-05	Telecoms	550	17	0.03	(533)
Focus Solutions Group plc*	Dec-05	Feb-06	Software	7	7	1.00	-
Oxis Energy Limited*	Dec-05	Dec-12	Electronics	5	4	0.80	( 1 )
2 Ergo Group plc	May-11	Jun-13	Software	197	3	0.02	(194)
Ellfin Home Care Limited	Dec-07	Dec-13	Healthcare	317	-	-	(317)
Infinite Data Storage Limited**	Mar-02	Dec-07	Software	425	-	-	(425)
Purely Proteins Limited**	Nov-03	Dec-06	Software	438	-	-	(438)
ExpressOn Biosystems Limited**	Oct-02	Dec-05	Healthcare	450	-	-	(450)
Comvurgent Limited*	Dec-05	Dec-07	Software	611	-	-	(611)
Silistix Limited**	Dec-03	Dec-10	Electronics	1,365	-	-	(1,365)
<b>Total</b>				<b>16,060</b>	<b>22,323</b>	<b>-</b>	<b>6,263</b>

\* Investment acquired solely from the merger with British Smaller Technology Companies VCT plc in December 2005

\*\* Investment made prior to 31 December 2003

## Reconciliation of Investment Portfolio Movement since 31 December 2013

Name of Company	Investment Valuation at 31 December 2013	Disposal Proceeds	Additions	Valuation gains including profits/(losses) on disposal	Investment Valuation at 31 December 2014
	£000	£000	£000	£000	£000
Intelligent Office (via IO Outsourcing Limited)	-	-	1,956	399	2,355
Mangar Health Limited	-	-	1,640	441	2,081
DisplayPlan Holdings Limited	2,142	(228)	-	94	2,008
Gill Marine Holdings Limited	1,870	-	-	(138)	1,732
ACC Aviation (via Newacc (2014) Limited)	-	-	1,379	-	1,379
GTK (Holdco) Limited	1,141	(225)	-	449	1,365
Business Collaborator Limited	-	-	1,340	-	1,340
The Heritage Window Company Holdco Limited	-	-	1,268	-	1,268
Cambrian Park & Leisure Homes Limited	-	-	1,200	-	1,200
Harvey Jones Holdings Limited	441	-	804	(51)	1,194
Springboard Research Holdings Limited	-	-	1,186	-	1,186
Leengate Holdings Limited	934	-	-	146	1,080
Immunobiology Limited	987	-	-	-	987
Seven Technologies Holdings Limited	1,711	-	-	(787)	924
Macro Art Holdings Limited	-	(21)	840	28	847
Callstream Group Limited	674	(169)	-	268	773
Intamac Systems Limited	-	-	750	-	750
Wakefield Acoustics (via Malvar Engineering Limited)	-	-	720	-	720
PowerOasis Limited	425	-	27	142	594
Bagel Nash Group Limited	733	(80)	8	(71)	590
Insider Technologies (Holdings) Limited	689	-	-	(167)	522
Deep-Secure Limited	915	-	-	(491)	424
Waterfall Services Limited	489	(964)	-	475	-
Other Investments	3,104	(627)	486	(66)	2,897
<b>Total Movement</b>	<b>16,255</b>	<b>(2,314)</b>	<b>13,604</b>	<b>671</b>	<b>28,216</b>

## 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 as follows:

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 page 41 of the annual report and further information on exposure to risks including those associated with financial instruments is given in note 17a on page 70 of the annual report.

### 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 12 and 13 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 9 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 monthly 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 under performance might also lead to under performance and poor returns to shareholders.

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

### 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 recurring 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 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 advised by the Investment Adviser, have been agreed between the Investment Adviser and the Company. Advice is sought from external advisors where required. Both the Company and the Investment Adviser maintain appropriate insurances.

### **Operational**

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

*Mitigation* - The Investment Adviser has a documented 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 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 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 investments in cash and fixed income securities are maintained to pay expenses as they fall due.

## **Other Matters**

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

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

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

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

### **Website Publication**

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

### **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 26 March 2015.

Richard Last  
Chairman

## FINANCIAL STATEMENTS

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014			2013		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments		-	870	870	-	596	596
Gains on investments held at fair value		-	111	111	-	1,748	1,748
Income	2	1,272	-	1,272	689	-	689
Administrative expenses:							
Investment Adviser's fee		(173)	(521)	(694)	(141)	(421)	(562)
Other expenses		(402)	-	(402)	(340)	-	(340)
		(575)	(521)	(1,096)	(481)	(421)	(902)
<b>Profit before taxation</b>		<b>697</b>	<b>460</b>	<b>1,157</b>	208	1,923	2,131
Taxation	4	(7)	7	-	-	-	-
<b>Profit for the year</b>		<b>690</b>	<b>467</b>	<b>1,157</b>	208	1,923	2,131
<b>Total comprehensive income for the year</b>		<b>690</b>	<b>467</b>	<b>1,157</b>	208	1,923	2,131
<b>Basic and diluted earnings per ordinary share</b>	6	<b>1.19p</b>	<b>0.81p</b>	<b>2.00p</b>	0.46p	4.27p	4.73p

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

## BALANCE SHEET AT 31 DECEMBER 2014

<b>Assets</b>	<b>Notes</b>	<b>2014 £000</b>	<b>2013 £000</b>
<b>Non-current assets</b>			
Investments	7	28,216	16,255
Fixed income securities	7	-	890
Financial assets at fair value through profit or loss	7	28,216	17,145
Trade and other receivables		417	132
		<b>28,633</b>	<b>17,277</b>
<b>Current assets</b>			
Trade and other receivables		314	123
Cash on fixed term deposit		-	4,500
Cash and cash equivalents		10,633	8,680
		<b>10,947</b>	<b>13,303</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(247)	(122)
<b>Net current assets</b>		<b>10,700</b>	<b>13,181</b>
<b>Net assets</b>		<b>39,333</b>	<b>30,458</b>
<b>Shareholders' equity</b>			
Share capital		6,447	4,822
Share premium account		342	4,926
Capital redemption reserve		88	88
Other reserve		2	2
Merger reserve		5,525	5,525
Capital reserve		24,822	14,568
Investment holding gains and losses		1,507	448
Revenue reserve		600	79
<b>Total shareholders' equity</b>		<b>39,333</b>	<b>30,458</b>
<b>Net asset value per ordinary share</b>	<b>8</b>	<b>62.9p</b>	<b>65.6p</b>

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital	Share premium account	Other reserves <sup>1</sup>	Merger reserve	Capital reserve	Investment holding gains (losses)	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 December 2012</b>	<b>4,271</b>	<b>14,806</b>	<b>90</b>	<b>5,525</b>	<b>7,225</b>	<b>(4,919)</b>	<b>154</b>	<b>27,152</b>
<i>Revenue return for the year</i>	-	-	-	-	-	-	208	208
<i>Capital expenses</i>	-	-	-	-	(421)	-	-	(421)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	1,748	-	1,748
<i>Realisation of investments in the year</i>	-	-	-	-	596	-	-	596
Total comprehensive income for the year	-	-	-	-	175	1,748	208	2,131
<i>Issue of share capital</i>	504	2,964	-	-	-	-	-	3,468
<i>Issue costs<sup>2</sup></i>	-	(178)	-	-	-	-	-	(178)
<i>Purchase of own shares</i>	-	-	-	-	(309)	-	-	(309)
<i>Issue of shares – DRIS</i>	47	239	-	-	-	-	-	286
<i>Dividends</i>	-	-	-	-	(1,800)	-	(283)	(2,083)
<i>Cancellation of share premium account - net of costs</i>	-	(12,905)	-	-	12,896	-	-	(9)
Total transactions with owners	551	(9,880)	-	-	10,787	-	(283)	1,175
Realisation of negative goodwill	-	-	-	-	177	(177)	-	-
Realisation of prior year investment holding gains	-	-	-	-	(3,796)	3,796	-	-
<b>Balance at 31 December 2013</b>	<b>4,822</b>	<b>4,926</b>	<b>90</b>	<b>5,525</b>	<b>14,568</b>	<b>448</b>	<b>79</b>	<b>30,458</b>
<i>Revenue return for the year</i>	-	-	-	-	-	-	690	690
<i>Capital expenses</i>	-	-	-	-	(514)	-	-	(514)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	111	-	111
<i>Realisation of investments in the year</i>	-	-	-	-	870	-	-	870
Total comprehensive income for the year	-	-	-	-	356	111	690	1,157
<i>Issue of share capital</i>	1,551	9,200	-	-	-	-	-	10,751
<i>Issue costs<sup>2</sup></i>	-	(591)	-	-	-	-	-	(591)
<i>Purchase of own shares</i>	-	-	-	-	(75)	-	-	(75)
<i>Issue of shares – DRIS</i>	74	362	-	-	-	-	-	436
<i>Dividends</i>	-	-	-	-	(2,625)	-	(169)	(2,794)
<i>Cancellation of share premium account – net of costs</i>	-	(13,555)	-	-	13,546	-	-	(9)
Total transactions with owners	1,625	(4,584)	-	-	10,846	-	(169)	7,718
Realisation of negative goodwill	-	-	-	-	13	(13)	-	-
Realisation of prior year investment holding gains	-	-	-	-	(961)	961	-	-
<b>Balance at 31 December 2014</b>	<b>6,447</b>	<b>342</b>	<b>90</b>	<b>5,525</b>	<b>24,822</b>	<b>1,507</b>	<b>600</b>	<b>39,333</b>

Reserves as above	6,447	342	90	5,525	24,822	1,507	600	39,333
Less undistributable reserves	(6,447)	(342)	(90)	(5,525)	(1,343)	(1,507)	-	(15,254)
Less interest not yet distributable	-	-	-	-	-	-	(332)	(332)
Less deferred proceeds	-	-	-	-	(85)	-	-	(85)
<b>Reserves available for distribution<sup>3</sup></b>	-	-	-	-	<b>23,394</b>	-	<b>268</b>	<b>23,622</b>

1 Other reserves include the capital redemption reserve and other reserve, which are non-distributable. The other reserve was created upon the exercise of warrants and the capital redemption reserve was created for the purchase and cancellation of own shares.

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

3 Subject to filing these financial statements at Companies House.

The merger reserve was created to account for the difference between the nominal and fair value of shares issued as consideration for the acquisition of the assets and liabilities of British Smaller Technology Companies VCT plc. The reserve was created after meeting the criteria under section 131 of the Companies Act 1985 and the provisions of the Companies Act 2006 for merger relief. The merger reserve is a non-distributable reserve.

The capital reserve and revenue reserve are both primarily distributable reserves. The reserves total £25,422,000 (2013: £14,647,000) representing an increase of £10,775,000 (2013: £7,268,000 increase) during the year. This change arises from the profit in the year of £1,046,000 (2013: £383,000), a transfer of valuation losses from the investment holding reserve of £961,000 (2013: £3,796,000), dividends of £2,794,000 (2013: £2,083,000), purchase of shares of £75,000 (2013: £309,000), realisation of negative goodwill of £13,000 (2013: £177,000) and the cancellation of the Company's share premium account of £13,546,000 (2013: £12,896,000). An analysis of the distributable elements of these reserves is given above. 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.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>2014</b>	2013
	<b>£000</b>	£000
<b>Net cash outflow from operating activities</b>	<b>(293)</b>	(79)
<b>Cash flows (used in) from investing activities</b>		
Purchase of financial assets at fair value through profit or loss	<b>(14,071)</b>	(5,499)
Proceeds from sale of financial assets at fair value through profit or loss	<b>3,679</b>	2,926
Deferred consideration	<b>345</b>	125
Cash placed on fixed term deposit	-	(4,500)
Cash maturing from fixed term deposits	<b>4,500</b>	7,048
<b>Net cash (outflow) inflow from investing activities</b>	<b>(5,547)</b>	100
<b>Cash flows from (used in) financing activities</b>		
Issue of ordinary shares	<b>10,510</b>	3,412
Costs of ordinary share issues*	<b>(350)</b>	(122)
Purchase of own ordinary shares	<b>(75)</b>	(309)
Dividends paid – net of dividends re-invested	<b>(2,283)</b>	(1,797)
Share premium cancellation cost	<b>(9)</b>	(9)
<b>Net cash inflow from financing activities</b>	<b>7,793</b>	1,175
<b>Net increase in cash and cash equivalents</b>	<b>1,953</b>	1,196
<b>Cash and cash equivalents at the beginning of the year</b>	<b>8,680</b>	7,484
<b>Cash and cash equivalents at the end of the year</b>	<b>10,633</b>	8,680

\* 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**

	<b>2014</b>	2013
	<b>£000</b>	£000
Profit before taxation	<b>1,157</b>	2,131
Increase (decrease) in trade and other payables	<b>50</b>	(154)
(Increase) decrease in trade and other receivables	<b>(511)</b>	300
Gains on disposal of investments in the year	<b>(870)</b>	(596)
Profit on investments held at fair value	<b>(111)</b>	(1,748)
Capitalised interest	<b>(8)</b>	(12)
<b>Net cash outflow from operating activities</b>	<b>(293)</b>	(79)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 1 Basis of Preparation

This announcement of the annual results of the Company for the year ended 31 December 2014 has been prepared using accounting policies consistent with those adopted in the full audited financial statements which have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The accounts have been prepared in compliance with the recommendations set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the 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 and 38, together with the SORP issued in November 2014. A full impact assessment has not yet been completed in order to assess whether these new standards will have a material impact on the financial statements.

### 2 Income

	2014 £000	2013 £000
Dividends from unquoted companies	43	40
Dividends from AIM quoted companies	160	44
Interest on loans to unquoted companies	926	384
Fixed income Government securities	7	18
Income from investments held at fair value through profit or loss	1,136	486
Interest on bank deposits	136	203
	<b>1,272</b>	<b>689</b>

The above is stated net of £46,000 (2013: £57,000) of income in relation to loan interest, which has been fully provided.

### 3 Administrative expenses

	2014 £000	2013 £000
Investment Adviser's fee	694	562
Other expenses:		
Trail Commission	100	62
Directors' remuneration (comprises only short term benefits including social security contributions)	75	75
Administration fee	60	58
Printing	47	29
Listing and registrar fees	43	37
General expenses	39	40
Irrecoverable VAT	20	22
Auditor's remuneration – audit fees (excluding irrecoverable VAT)	18	17
	<b>1,096</b>	<b>902</b>

No fees are payable to the auditor in respect of other services supplied pursuant to legislation (2013: £nil).

YFM Private Equity Limited has acted as Investment Adviser and performed administrative and secretarial duties for the Company under an agreement dated 28 November 2000, superseded by an agreement dated 31 October 2005 and as varied by agreements dated 8 December 2010, 26 October 2011, 16 November 2012 and 17 October 2014 (the "IAA"). The IAA may be terminated by not less than twelve months' notice given by either party at any time. Following the Financial Conduct Authority's registration of the Company as a Small Registered Alternative Investment Fund Manager, the Company has retained responsibility for the custody of its investments.

The key features of the agreement are:

- YFM Private Equity Limited receives an Investment Adviser fee, payable quarterly in advance, at the rate of 2.5 per cent of net assets, calculated at half-yearly intervals as at 30 June and 31 December. The fee is allocated between capital and revenue as described in note 1 on pages 54 to 57 of the annual report;
- Pursuant to a deed of variation dated 26 October 2011 the advisory fee will be reduced to 1.25 per cent per annum in respect of any net asset value of the Company in excess of £16 million and up to £26.667 million and to 2.0 per cent in respect of any net asset value of the Company in excess of £26.667 million;
- Pursuant to the deed of variation dated 17 October 2014, YFM Private Equity Limited shall bear the annual operating costs of the Company (including the advisory fee set out above but excluding any payment of the performance incentive fee, details of which are set out below and excluding VAT and trail commissions) 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; and
- Under the IAA YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee of £46,000 per annum plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged fully to revenue.

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. With effect from 1 October 2013 if the average of relevant fees exceeds 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on investments over the Company's financial year, this excess will be rebated to the Company. As at 31 December 2014, the Company was due a rebate from the Investment Adviser of £4,000 (2013: £12,000).

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

The total remuneration payable to YFM Private Equity Limited in the period was £754,000 (2013: £620,000).

Under the Subscription Rights Agreement dated 23 November 2001 between the Company, YFM Private Equity Limited and Chord Capital Limited (formerly Generics Asset Management Limited), as amended by an agreement between those parties dated 31 October 2005, YFM Private Equity and Chord have a performance-related incentive, structured so as to entitle them to an amount (satisfied by the issue by the Company of ordinary shares) equivalent to 20 per cent of the amount by which the cumulative cash dividends paid as at the last Business Day in December in any year plus the average of the middle market quotation per ordinary share exceeds 120 pence per ordinary share on that same day multiplied by the number of ordinary shares in issue and the shares under option (if any). The subscription rights were exercisable in the ratio 59:41 between YFM Private Equity and Chord. By a Deed of Assignment dated 19 December 2003 (together with a supplemental agreement dated 5 October 2005), the benefit of the YFM Private Equity subscription right was assigned to YFM Private Equity Limited Carried Interest Trust (the "Trust"), an employee benefit trust formed for the benefit of certain employees of YFM Private Equity Limited and associated companies. Pursuant to a deed of variation dated 16 November 2012 between the Company, the trustees of the Trust and Chord, the Subscription Rights Agreement was varied so that the subscription rights will be exercisable in the ratio of 95:5 between the trustees of the Trust and Chord. Pursuant to a deed of variation dated 5 August 2014 the Subscription Rights Agreement was varied so that the recipient was changed from the Trust to YFM Private Equity. As at 31 December 2014 the total of cumulative cash dividends paid and mid-market price was 99.50 pence per ordinary share. No shares have been issued under this agreement.

Under the terms of the joint offer with British Smaller Companies VCT 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 £488,847 in total.

Under the terms of the offer with British Smaller Companies VCT plc, launched on 20 October 2014, 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 at the date of this report amounted to £280,985.

The Investment Adviser met all costs and expenses arising from these offers out of these fees, including any payment or re-investment of initial intermediary commissions (excluding permissible trail commission, which continues to be met by the Company).

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 44 of the annual report under the heading "Directors' Remuneration for the year ended 31 December 2014 (audited)".



## 4 Taxation

	2014			2013		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Corporation tax at 20% (2013: 20%)	-	-	-	-	-	-
Profit before taxation	697	460	1,157	208	1,923	2,131
Profit before taxation multiplied by standard small company rate of corporation tax in UK of 20% (2013: 20%)	139	92	231	42	385	427
<b>Effect of:</b>						
UK dividends received	(41)	-	(41)	(17)	-	(17)
Non taxable profits on investments	-	(196)	(196)	-	(469)	(469)
Excess advisory expenses	(91)	97	6	(25)	84	59
Tax charge (credit)	7	(7)	-	-	-	-

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

Deferred tax assets of £560,000 calculated at 20% (2013: £559,000) in respect of unrelieved advisory expenses (£2.799 million as at 31 December 2014 and £2.793 million as at 31 December 2013) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which assets can be recovered.

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

## 5 Dividends

Amounts recognised as distributions to equity holders in the year to 31 December						
	2014			2013		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final dividend for 2013 of 2.5p (2012: 2.5p) per ordinary share	7	1,542	1,549	154	1,001	1,155
Interim dividend for 2014 of 2.0p (2013: 2.0p) per ordinary share	162	1,083	1,245	129	799	928
	169	2,625	2,794	283	1,800	2,083
Shares Issued under DRIS			(436)			(286)
Unclaimed dividends			(75)			-
Dividends paid in Statement of Cash Flows			2,283			1,797

The final year-end dividend of 2.5 pence per ordinary share in respect of the year to 31 December 2013 was paid on 30 June 2014 to shareholders on the register at 30 May 2014.

The interim dividend of 2.0 pence per ordinary share was paid on 7 October 2014 to shareholders on the register as at 5 September 2014.

A final dividend of 2.5 pence per ordinary share in respect of the year to 31 December 2014 is proposed. This dividend has not been recognised in the year ended 31 December 2014 as the obligation did not exist at the balance sheet date.

During the year the Company has received £75,000 from the Registrars in respect of unclaimed dividends. These are held in a separate bank account until such time as contact can be made with the shareholders affected so that payment can be made to them.

## 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 £1,157,000 (2013: £2,131,000 profit) and 57,825,246 (2013: 45,070,587) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue earnings per ordinary share is based on the profit for the year attributable to shareholders of £690,000 (2013: £208,000) and 57,825,246 (2013: 45,070,587) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital earnings per ordinary share is based on the capital profit for the year attributable to shareholders of £467,000 (2013: £1,923,000) and 57,825,246 (2013: 45,070,587) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company issued 16,245,613 ordinary shares. The Company has also repurchased 132,300 of its own shares which are held in treasury. The treasury shares have been excluded in calculating the weighted average number of ordinary shares for the period that they were treasury shares.

The only potentially dilutive shares are those shares which, subject to certain criteria being achieved in the future, may be issued by the Company to meet its obligations under the IAA as set out in note 3. No such shares have been issued or are currently expected to be issued. There are, therefore, considered to be no potentially dilutive shares in issue at 31 December 2014 or 31 December 2013.

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

Movements in investments at fair value through profit or loss during the year to 31 December 2014 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1	Level 1	Level 1	Level 1
	Unquoted investments	Quoted equity investments	Total quoted and unquoted	Fixed income securities	Total investments
	£000	£000	£000	£000	£000
Opening cost	13,792	2,061	15,853	888	16,741
Opening investment holding (loss) gain	(4)	406	402	2	404
<b>Opening fair value at 1 January 2014</b>	<b>13,788</b>	<b>2,467</b>	<b>16,255</b>	<b>890</b>	<b>17,145</b>
Additions at cost	13,110	486	13,596	475	14,071
Capitalised interest	8	-	8	-	8
Disposal proceeds	(1,687)	(627)	(2,314)	(1,365)	(3,679)
Net profit on disposal*	501	59	560	-	560
Change in fair value in the year on assets held at 31 December 2014	368	(257)	111	-	111
<b>Closing fair value at 31 December 2014</b>	<b>26,088</b>	<b>2,128</b>	<b>28,216</b>	<b>-</b>	<b>28,216</b>
Closing cost	24,593	2,146	26,739	-	26,739
Closing investment holding gain (loss)	1,495	(18)	1,477	-	1,477
<b>Closing fair value at 31 December 2014</b>	<b>26,088</b>	<b>2,128</b>	<b>28,216</b>	<b>-</b>	<b>28,216</b>

\*The net profit on disposal in the table above is £560,000 whereas that shown in the Statement of Comprehensive Income and the table on page 17 of the annual report is £870,000. The difference comprises deferred proceeds of £310,000 in respect of assets which have been disposed and are not included within the investment portfolio at the year end.

Following the merger between the Company and British Smaller Technologies Company VCT plc a total of £975,000 of negative goodwill was recognised in the investment holding gains and losses reserve in respect of the investments acquired. The relevant amount per investment is realised, at the point of disposal to the capital reserve. At 31 December 2014 a total of £30,000 was held on investments yet to be realised in the investment holdings gains and losses reserve.

The total of fair value adjustments below cost made against unquoted investments during the year ended 31 December 2014 amounted to £766,000 (2013: £524,000).

There were no individual reductions in fair value during the year that exceeded five per cent of the total assets of the Company. In 2013 there were also no such individual reductions.

## **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 £39,333,000 (2013: £30,458,000) and 62,556,876 (2013: 46,443,563) 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 December 2014.

The only potentially dilutive shares are those shares which, subject to certain criteria being achieved in the future, may be issued by the Company to meet its obligations under the IAA as set out in note 3. No such shares have been issued or are currently expected to be issued. There are therefore considered to be no potentially dilutive shares in issue at 31 December 2014 or 31 December 2013. Consequently, basic and diluted net asset value per ordinary share is the same for the year ended 31 December 2014 and 31 December 2013.

## **9 Total Return per Ordinary Share**

The total return per ordinary share is calculated on cumulative dividends paid of 43.5 pence per ordinary share (2013: 39.0 pence per ordinary share) plus the net asset value as calculated per note 8.

## **10 Related Party Transactions**

Mr R Last was appointed as chairman and non-executive director of Gamma Communications Limited (“Gamma”) on 17 June 2014. On 10 October 2014 the ordinary shares of Gamma were admitted to trading on the AIM. As part of the placing of Gamma’s ordinary shares Mr R Last invested £100,000, representing a 0.06 per cent equity stake in Gamma. During the year he received £43,750 from Gamma in respect of his services.

## **11 Events after the Balance Sheet Date**

Following the period end an investment of £0.4 million has been made into quoted portfolio company Gooch & Housego plc, a company specialising in the design, manufacture and supply of fibre optic solutions such as optical components, photonic packaging and optoelectronic integration.

In the period since the year end the Company has also received £435,000 of monthly capital loan repayments from investee companies. The most significant of these was £303,000 received in February 2015 from DisplayPlan Holdings Limited as part of an early loan repayment agreed with the company.

Subsequent to the year end the Company allotted a total of 14,110,981 ordinary shares on 6 January 2015, 2 February 2015 and 2 March 2015 pursuant to the offer detailed under “Fundraising” above, raising net proceeds of £8.67m.

## **12 Financial Information**

The financial information set out in this announcement for the year ended 31 December 2014 does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006 but has been extracted from the Company’s statutory accounts for that period. Statutory accounts for the year ended 31 December 2014 will be delivered to the Registrar of Companies following the Company’s Annual General Meeting on 15 May 2015. Those accounts have been reported upon without qualification by the Company’s independent auditor and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

## **13 Annual Report and Accounts**

Copies of the statutory accounts for the year ended 31 December 2014 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](http://www.hemscott.com/msn/do). They can also shortly be viewed on the Company’s website at [www.bscfunds.com](http://www.bscfunds.com). Hard copies of the statutory accounts for the year ended 31 December 2014 will be distributed by post to shareholders and will be available thereafter to members of the public from the Company’s registered office.

## **14 Directors**

The directors of the Company are Mr R Last, Mr R Pettigrew, and Mr P Waller.

## **15 Annual General Meeting**

The Annual General Meeting of the Company will be held at 33 St James Square, London, SW1Y 4JS on 15 May 2015 at 12.00 noon.

**16 Final Dividend for the year ended 31 December 2014**

Further to the announcement of its final results for the year ended 31 December 2014, the Company confirms that, subject to its approval by shareholders at the forthcoming Annual General Meeting to be held on 15 May 2015, the final dividend of 2.5 pence per ordinary share ("Final Dividend") will be paid on 8 June 2015 to those shareholders on the Company's register at the close of business on 8 May 2015. The ex-dividend date is 7 May 2015.

**17 Dividend re-investment scheme ("DRIS")**

The Company operates a dividend reinvestment 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 22 May 2015.

For further information, please contact:

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