BRITISH SMALLER COMPANIES VCT PLC

Annual Financial Report Announcement for

the Year to 31 March 2014

British Smaller Companies VCT plc ("the Company") today announces its audited results for the year to 31 March 2014.

Financial Highlights

- An increase in total return of 6.3 per cent to 192.7 pence per ordinary share.
- An increase in net asset value of 11.9 per cent prior to the payment of dividends.
- Underlying growth in the investment portfolio of £6.66 million. This included £5.97 million of unrealised value growth and £0.69 million of gain over the opening value from disposals. The realised profit over original cost is £1.06 million
- Total dividends paid during the year ended 31 March 2014 were 6.5 pence per ordinary share. This comprises a final dividend relating to the year to 31 March 2013 of 3.5 pence, a special interim dividend of 1.0 pence following realised gains from the portfolio and an interim dividend for the year to 31 March 2014 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 2014.
- Shareholders who subscribed in the Company's first fundraising round for the 1995/96 and 1996/97 Tax Year have received 90.7 pence per ordinary share of dividends to date with the Total Return of 192.7 pence per ordinary share representing a 92.7 per cent uplift on their original investment, excluding tax relief.
- The cash position has been enhanced by the joint fundraising with British Smaller Companies VCT2 plc, which raised gross proceeds of £26.9 million in aggregate, of which £16.2 million was raised by the Company.
- The Company invested a total of £10.16 million into ten companies during the year, including £8.33 million into five new companies and £1.83 million of follow-on investment to support the existing portfolio.

Chairman's Statement

I am pleased to be able to report another strong year for your Company with total return (net asset value plus cumulative dividends) rising by 11.5 pence per ordinary share over the year to 31 March 2014. This equates to an increase of 11.9 per cent on the opening net asset value at 31 March 2013. The recent joint fundraising with British Smaller Companies VCT2 plc (which closed in May 2014) was also a success, raising gross proceeds of £26.9 million in aggregate of which £16.2 million was raised by your Company.

These results have enabled your Company to continue to hold its ranking as a top performing VCT, with Citywire reporting it as the best performing VCT over five years and in the top ten over the last one and ten years. *(Source: Citywire data as at 15 May 2014 - based on NAV performance)*

Financial Results

The movement in net asset value per ordinary share and the dividends paid in the year are summarised in the table below:

	Pence per ordinary			
		share		£000
31 March 2013		97.0		42,089
Net underlying increase in portfolio	10.9		6,660	
Net expenses	(0.2)		(135)	
Buy-back of shares	0.1		(606)	
Issue of new shares	0.7		17,797	
	11.5		23,716	
Dividends paid	(6.5)		(3,221)	
		5.0		20,495
31 March 2014		102.0		62,584

The overall value of the investments and the fixed interest securities portfolios has increased by £6.66 million from an opening value at 31 March 2013 of £30.03 million. This return comprises a gain on the revaluation of the portfolios of £5.97 million and a gain over the opening value from the realisation of investments of £0.69 million. Strong value gains were seen across many portfolio businesses, as a result of the clear growth strategies they have been following as well as a general improvement in market conditions.

During the year the Company has paid total dividends of 6.5 pence per ordinary share, bringing the total cumulative dividends paid since inception to 90.7 pence per ordinary share. The total return (being net asset value plus cumulative dividends) increased to 192.7 pence per ordinary share at 31 March 2014 from 181.2 pence at the start of the year.

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

Your Company has seen investment levels rising steadily throughout the year completing investments of £10.16 million in aggregate, of which £8.26 million was completed in the latter part of the year. This rate of investment has continued into the current financial year.

Shareholder Relations

Dividends

Your Board remains committed to achieving the objective of a consistent and, where possible, increasing dividend stream over time. Dividends paid in the year comprise a final dividend of 3.5 pence per ordinary share in respect of the year ended 31 March 2013, an interim dividend of 2.0 pence per ordinary share in respect of the financial year just ended and a 1.0 pence per ordinary share special interim dividend, totalling 6.5 pence per ordinary share. This represents 6.7 per cent of the opening net asset value per ordinary share and brings the cumulative dividends paid to 90.7 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 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 1 August 2014 to Shareholders on the register at 4 July 2014.

Dividend Re-Investment Scheme (DRIS)

The Company operates a 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 joint offers. In total £0.6 million was raised for the financial year ending 31 March 2014 via the DRIS.

Fundraising

In April 2013 £5.9 million was raised by the Company under the linked offer with British Smaller Companies VCT2 plc which was launched on 16 November 2012.

The Company has seen a continued increase in investment rates coupled with a strong pipeline of prospective investments, primarily as a result of improving economic conditions and favourable legislation changes. In order to take advantage of this a joint fundraising offer with British Smaller Companies VCT2 plc was launched on 14 January 2014.

On 31 March 2014 £11.3 million was raised through an allotment of shares in respect of this joint offer, bringing the total raised in the year to 31 March 2014 to £17.2 million net of costs. Since the year end the Company has made three further allotments representing further net funds raised of £4.0 million. The joint offer closed on 29 May 2014.

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 Company's Fund Manager) and the CEOs of one or more of our investee companies. Our 19th Shareholder workshop was held at Central Hall Westminster on 12 February 2014 and achieved the highest ever attendance with over 200 Shareholders attending. Presentations at the workshop were made by David Hall on behalf of YFM Private Equity Limited, Mark Henley (Managing Director of President Engineering Limited) and Angela Lane (former Chairman of Fishawack Communications). After lunch David Hall, David Bell and Paul Cannings, all of YFM Private Equity Limited, hosted a Question and Answer Session which was attended by over 70 Shareholders.

The Annual General Meeting of the Company will be held at 12.00 noon on 22 July 2014 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

The Board has applied to the Financial Conduct Authority for approval 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. It is not envisaged that this will result in any material change to the operation of the Company.

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 Management and Incentive Agreements

Your Board has agreed with YFM Private Equity Limited a number of changes to the investment management and incentive agreements. In particular it has added clauses that:

i. cap any deal fees paid by investee companies to the Fund Manager at the point of investment;
ii. limit annual monitoring and directors fees paid by investee companies to the Fund Manager; and
iii. limit the performance incentive fee to be paid in any one year.

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 completed five additional investments totalling £4.70 million and has approval for two further investments totalling £2.94 million.

Subsequent to the year end the Company allotted a total of 4,179,046 ordinary shares on 4 April 2014, 5 April 2014 and 29 May 2014 pursuant to the joint offer detailed under "Fundraising".

Outlook

Our portfolio companies are on the whole well-funded and have focused strategies to maximise the market opportunities open to them. The Company remains well placed to continue to support the portfolio businesses in the year ahead.

The Company's new investment activity is focused on small UK businesses with clearly differentiated business models, whether through an established brand, a niche position in a growing market, or an innovative application of services and products. The significant level of investments made during the year to 31 March 2014 has further increased the diversification of the portfolio, with the largest investment representing just 10.2 per cent of net asset value compared to 32.8 per cent three years ago. The UK economy has seen further growth again this year. This is one of the factors encouraging small businesses to invest and consequently demand for equity capital remains strong. In the first two months of the 2014/15 financial year your Company has already completed five investments and approved two others for a total of £7.64 million.

The Board remains of the opinion that this investment strategy will provide good returns throughout the economic cycle but in particular that the current market conditions are favourable to making good investments. In the short term the current levels of funds available for investment should enable the Company to take advantage of this opportunity and to continue to maintain its leading performance in terms of investor returns.

Helen Sinclair
Chairman

Strategic Report

Introduction

The Company is pleased to present its Strategic Report for the year ended 31 March 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.

Objectives and Key Policies

The Company's objective is to provide investors with an attractive long-term tax free dividend yield while maintaining 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.

Diversification

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 including but not limited to ordinary and preference shares, corporate bonds and other fixed income securities. 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

Investment opportunities are offered to the Company alongside British Smaller Companies VCT2 plc. The agreed initial basis for allocation is 60 per cent to the Company and 40 per cent to British Smaller Companies VCT2 plc. The Board of the Company has discretion as to whether to take up their allocation of such investment opportunities, or to take up a different participation.

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 or in UK Gilts.

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 dividend re-investment scheme 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.

Fund Management and Key Contracts

The Fund Manager is responsible for the sourcing and screening of initial enquiries, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments. Once approved, further due diligence is carried out as necessary and HM Revenue & Customs clearance is obtained for approval as a qualifying VCT investment.

The Board approves all investment and divestment decisions save in that of certain investments up to £250,000 in companies whose shares are to be traded on AIM 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 Fund Manager.

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

The Board reviews the terms of YFM Private Equity Limited's appointment as Fund Manager on a regular basis. Three changes since 31 March 2013 have been agreed:-

i. for investments made on or after 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. for investments made on or after 1 October 2013 any annual monitoring or directors fees received by the Fund Manager 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.

Administration
YFM Private Equity Limited has acted as Fund Manager and performed 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 to the Financial Statements.

Performance Incentive
The Fund Manager 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 to the Financial Statements.

No payment can be made in respect of the year to 31 March 2014 under the Incentive Agreement unless the average quarterly adjusted net asset value of the Company is a minimum of 92.8 pence per ordinary share and, in addition, at least 4.7 pence per ordinary share in dividends has been paid to Shareholders. The Fund Manager has met the adjusted targets for the year under review and a performance fee of £220,531 has accrued to the Fund Manager (31 March 2013: £38,678).

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

Administration of the UK Fixed Income Securities Portfolio

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

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 Financial Statements 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. 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 pages 44 and 45 of the Financial Statements.

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.

Fundraising round	Offer price	Offer price net of tax	Net asset value at 31 March 2014	Cumulative dividends paid since fundraising	Total return since fundraising[1]	Overall return (not in DRIS)[2]	Overall return (in DRIS)[3]
	Pence	Pence	Pence	Pence	Pence	Pence	Pence
1995/96 & 1996/97 Tax Years	100.0	80.0	102.0	90.7	192.7	212.7	258.5
1996/97 & 1997/98 Tax Years	100.0	80.0	102.0	87.7	189.7	209.7	257.6
1997/98 & 1998/99 Tax Years	105.0	84.0	102.0	84.0	186.0	207.0	257.5
2004/05 Tax Year (C share[4])	100.0	60.0	114.7	63.2	177.9	217.9	261.0
2005/06 Tax Year	99.5	59.7	102.0	60.3	162.3	202.1	255.7
2006/07 & 2007/08 Tax Years	102.5	71.8	102.0	55.8	157.8	188.5	235.1
2007/08 & 2008/09 Tax Years	106.3	74.4	102.0	50.8	152.8	184.7	224.3
2009/10 & 2010/11 Tax Years	97.3	68.1	102.0	40.7	142.7	171.9	198.0
2010/11 & 2011/12 Tax Years	128.0	89.6	102.0	34.5	136.5	174.9	194.1
2011/2012 Tax Year	99.8	69.8	102.0	11.5	113.5	143.5	149.0
2012/13 & 2013/14 Tax Year	95.8	67.0	102.0	6.5	108.5	137.3	140.0

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 Ratio, as calculated in line with the Association of Investment Companies (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 Ratio has fallen since 31 March 2013 as the raising of additional capital in the year has spread the fixed costs over a larger asset base.

	Year to 31 March 2014 (%)	Year to 31 March 2013 (%)
Ongoing Charges Ratio	2.26	2.64
Ongoing Charges Ratio – adjusted for performance incentive fees	2.68	2.58

The Ongoing Charges Ratio replaces the Total Expense Ratio (TER%) previously reported. This is calculated as the annual ongoing charges (excluding any performance related fees, VAT and trail commission payable to financial intermediaries) 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. There was no breach of the expenses cap in the current or prior year.

Compliance with VCT Legislative Tests

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

Under Chapter 3 Part 6 of the Income Tax Act 2007, in addition to the requirement for a VCT's ordinary share capital to be listed in the Official List on the London Stock Exchange 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 92.7 per cent (2013: 90.9 per cent) of income being derived from such sources. Included within this calculation is £57,000 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 13.6 per cent (2013: nil 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 22 July 2014.

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 82.6 per cent (2013: 74.3 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 44.2 per cent (2013: 53.8 per cent) of value being in holdings of non-preferential 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.

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 Fund Manager 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 4.7 per cent (2013: 7.6 per cent).

Other

The Finance Bill published in March 2014 proposes further conditions/restrictions with respect to the use of monies in respect of VCT's. 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.

Investment Performance

Investment Review

The improving economic outlook and changes in EU restrictions on qualifying VCT investments are all contributing to an increase in the volume and scale of investment opportunities with the trend continuing into 2014/15.

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 £6.73 million excluding movements due to investments and realisations. This has enabled the Company to maintain its strong investor returns and is further analysed in the table below.

	£000	**%**
Unquoted value gain	4,666	69.8
Quoted value gain	1,373	20.1
Gain on disposal over opening value	686	10.0
	6,725	99.9
Deferred proceeds	7	0.1
Total Value Movement (excluding gilt portfolio)	**6,732**	**100.0**

This was offset by a fall in the gilt portfolio of £0.07 million to give the reported value gain on investments of £6.66 million.

At 31 March 2014 the investment portfolio (excluding the fixed income securities portfolio) was valued at £39.9 million, representing 63.7 per cent of net assets (65.4 per cent at 31 March 2013). Cash and gilt investments at 31 March 2014 were £23.4 million representing 37.3 per cent of net assets (34.8 per cent at 31 March 2013).

Significant Investment Movements

The £4.66 million unrealised value gain from the unquoted portfolio is as a result of good progress by a number of businesses which have seen profits grow despite the continuing economic uncertainty. The key movements were:

- GO Outdoors Limited (value gain of £1.67 million) following improving trading after an increase in consumer confidence;
- Waterfall Services Limited (value gain of £1.30 million) following a period of improved trading;
- DisplayPlan Holdings Limited (value gain of £1.15 million) after strong cash generation was used to significantly reduce group debt;
- President Engineering Group Ltd (value gain of £1.00 million) following another strong year of profits and cash generation;
- Seven Technologies Holdings Limited (value gain of £0.58 million) following the significant strategic acquisition of Datong plc during the year; and
- These were offset by smaller falls in value for seven companies totalling £1.39 million.

The £1.37 million increase from the AIM quoted portfolio movements was in large part a result of a gain of £0.80 million from Pressure Technologies plc following strong trading results and a successful diversification strategy. Other robust value gains were seen from Mattioli Woods plc (£0.31 million) and AB Dynamics plc (£0.22 million).

New Investments

During the year ended 31 March 2014 the Company completed ten investments totalling £10.16 million (excluding capitalised interest and non-cash proceeds received on the sale of investments). This comprised five new investments in unquoted companies and five follow-on investments into existing portfolio companies and is broken down in the table below.

		£million
New Investments :	Gill Marine Holdings Limited	2.50
	Mangar Health Limited	2.46
	GTK (UK) Limited	1.75
	Leengate Holdings Limited	1.40
	AB Dynamics plc	0.22
		8.33
Follow-on Investments:	Seven Technologies Holdings Limited	0.98
	Bagel Nash Group Limited	0.59
	EKF Diagnostics plc	0.10
	Dryden Human Capital Limited	0.09
	GO Outdoors Limited	0.07
		1.83
	Total cash investments	**10.16**
	Capitalised interest and non-cash proceeds	0.05
	Total invested	**10.21**

The new investments during the year totalled £8.33 million:

- In May 2013 the Company invested £0.22 million as part of a £5.0 million AIM placing to support the expansion of AB Dynamics plc; a designer, manufacturer and supplier of advanced testing products to the global automotive industry.
- In September 2013 the Company invested £2.50 million as part of the management buyout of Gill Marine Holdings Limited, the market leading manufacturer of branded sailing clothing and accessories.
- In October 2013 the Company invested £1.75 million to support the management buyout of GTK (UK) Limited, a global manufacturer of cable assemblies, connectors, optoelectronics and manufacturing solutions for high technology customers.
- In December 2013 the Company invested £1.40 million into Leengate Holdings Limited; a wholesaler, stockist and distributor of industrial valves to fund the management buyout from the Linde Group.
- In January 2014 the Company invested £2.46 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.

The five investments into existing portfolio companies during the year totalled £1.83 million, the largest of which are described below.

- In June 2013 a significant investment of £0.98 million was made into Seven Technologies Holdings Limited, a manufacturer of specialist electronic and communications equipment, as part of the funding package for its £7.0 million acquisition of Datong plc, a manufacturer and international supplier of specialist communications products.
- In July 2013 a further £0.59 million was invested into Bagel Nash Group Limited to support the expansion of its bakery and its retail roll out strategy.

Disposal of Investments

During the year to 31 March 2014 the Company received proceeds from disposals, repayments of loans and deferred consideration of £5.11 million. Overall this resulted in a value gain on disposal of investments of £0.69 million and a realised gain on cost of £1.06 million. This is broken down in the table below.

	Net proceeds from sales of investments £000	**Cost of investments £000**	**Opening value 31 March 2013 £000**	**Gain on opening value £000**	**Gain on cost £000**
Sale of portfolio investments	4,636	3,592	3,950	686	1,044
Deferred proceeds received & accrued	11	-	4	7	11
Investment portfolio disposals	4,647	3,592	3,954	693	1,055
Fixed income securities disposals	459	451	461	(2)	8
Total Investment and Fixed Income Securities Disposals	**5,106**	**4,043**	**4,415**	**691**	**1,063**

The most significant proceeds related to:

- In June 2013 £1.30 million of non-qualifying loans to Seven Technologies Holdings Limited were repaid as part of the refinancing package ahead of its purchase of Datong plc.
- During the year the Company sold 49.5 per cent of its holding in Pressure Technologies plc for £0.52 million realising a gain on its opening 1 April 2013 carrying value of £0.28 million and a profit on cost of £0.30 million.
- In November 2013 the £0.67 million investor loan to Waterfall Services Limited was repaid following a period of strong trading.
- In January 2014 the Company received £0.43 million from DisplayPlan Holdings Limited as part of an agreed early loan repayment giving rise to a £0.10 million early redemption premium.
- In March 2014 the Company sold part of its holding in GO Outdoors Limited which was under an option to 3i Group plc linked to repayment of shareholder loans. This gave rise to proceeds of £0.35 million, a profit on the 1 April carrying value of £0.03 million and a profit on cost of £0.35 million. The Company also received non-cash proceeds in the form of additional equity valued at £0.03 million.

A detailed analysis of all investments sold in the year can be found in note 7 to the Financial Statements on page 64 of the Annual Report.

Portfolio Composition

As at 31 March 2014 the portfolio of quoted and unquoted investments had a value of £39.9 million of which the unquoted businesses make up 90 per cent of the value and the quoted investments make up 10 per cent of the value. An analysis of the movements in the year is shown on page 19 of the Annual Report.

The objective of increasing diversification within the portfolio continues to be successful, with the biggest single investment representing 10.2 per cent of the net asset value. Three years ago the largest investment represented 32.8 per cent.

The charts on page 14 of the Financial Statements show the composition of the portfolio as at 31 March 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.

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

Valuation Policy

Unquoted investments are valued in accordance with the valuation policy set out in note 1 of the Financial Statements, which takes account of current industry guidelines for the valuation of venture capital portfolios. Provision against cost is made where an investment is significantly under-performing. As at 31 March 2014 the number of investments falling into each valuation category is shown in the table below:

	Valuation £000	**% of portfolio by value**
Earnings multiple	26,565	66
Cost of recent investment reviewed for impairment	9,054	23
Original cost less provision	286	1
Quoted investments at bid price	3,957	10
Total	**39,862**	**100**

Summary and Outlook

The early part of the year saw continuation of recent uncertain market conditions although in the latter part of the year there were clearer signs of economic recovery. Many of the portfolio companies have delivered improved results, focusing on proven brands, niche growth sectors or rolling out new technology. We are optimistic that the improvement in economic conditions will continue but we will maintain a cautious approach; only backing successful business models. The increasing diversification of the portfolio, which has continued into the 2014/15 financial year, should also help to reduce any volatility of returns.

We have seen a marked increase in new investment enquiries which has resulted in significant levels of investment in 2013/14, with £10.16 million invested in the year as a whole of which £8.26 million was invested in the latter part of the year. The improving economic outlook and changes in EU restrictions on qualifying VCT investments are all contributing to an increase in the volume and scale of investment opportunities with the trend continuing into 2014/15.

We believe that the increasing level of investment, combined with several good exit prospects over the next few years, should allow the Board to achieve its aim of a constant dividend stream whilst preserving and enhancing the underlying net asset value.

Investment Portfolio Summary and Disposal History to 31 March 2014

Current Investments	Date of Initial Investment	Industry Sector	Current Cost £000	Proceeds to Date* £000	Investment Valuation at 31 March 2014 £000	Return to Date £000
Unquoted portfolio						
GO Outdoors Limited	May-98	Retail	215	7,380	6,371	13,751
President Engineering Group Ltd	Sep-10	Manufacturing	800	200	4,078	4,278
DisplayPlan Holdings Limited	Feb-10	Retail	975	422	3,854	4,276
Seven Technologies Holdings Limited	Apr-12	Telecommunications	1,984	1,524	2,596	4,120
Waterfall Services Limited	Feb-07	Support Services	100	900	2,372	3,272
Gill Marine Holdings Limited	Sep-13	Retail	2,500	-	2,500	2,500
Mangar Health Limited	Jan-14	Manufacturing	2,460	-	2,460	2,460
RMS Group Holdings Limited	Jul-07	Industrial	180	897	878	1,775
Deep-Secure Ltd	Dec-09	Software	1,000	-	1,751	1,751
GTK (UK) Limited	Oct-13	Manufacturing	1,693	57	1,693	1,750
Leengate Holdings Limited	Dec-13	Manufacturing	1,401	-	1,401	1,401
Fairlight Bridge Limited	Apr-12	Turnaround Services	1,000	-	1,000	1,000
Bagel Nash Group Limited	Jul-11	Food Retail & Manufacture	1,182	50	897	947
Harvey Jones Holdings Limited	May-07	Consumer Retail	777	-	900	900
Callstream Group Limited**	Sep-10	Telecommunications	415	130	752	882
Insider Technologies (Holdings) Limited	Aug-12	Software	1,170	-	880	880
Harris Hill Holdings Limited	Jun-07	Recruitment	600	-	643	643
Selima Limited	Mar-12	Software	600	-	593	593
PowerOasis Limited	Nov-11	Energy Infrastructure	425	-	212	212
Other	-	-	2,586	-	74	74
			22,063	11,560	35,905	47,465
Quoted portfolio						
Pressure Technologies plc	Jun-07	Manufacturing	216	515	1,038	1,553
Other	-	-	625	1,275	110	1,385
Mattioli Woods plc	Nov-05	Support Services	258	193	857	1,050
Hargreaves Services plc	Dec-07	Manufacturing	310	505	454	959
EKF Diagnostics Holdings plc	Jul-10	Medical Instruments	348	226	614	840
AB Dynamics plc	May-13	Manufacturing	224	-	442	442
Vianet Group plc	Oct-06	Business Services	404	-	279	279
Cambridge Cognition Holdings plc	May-02	Healthcare Software	325	-	163	163
			2,710	2,714	3,957	6,671

	24,773	**14,274**	**39,862**	**54,136**
Full disposals since 31 March 2002	16,275	23,772	-	23,772
Full disposals prior to 31 March 2002	5,748	1,899	-	1,899
Total investment portfolio	46,796	39,945	39,862	79,807

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

**Formerly Bluebell Telecoms Group Limited.

Summary of Investment Portfolio Movement since 31 March 2013

Name of company	**Investment Valuation at 31 March 2013**	**Disposal proceeds**	**Additions including capitalised Interest**	**Valuation gains (losses) including profits (losses) on disposal**	**Investment Valuation at 31 March 2014**
Unquoted portfolio	**£000**	**£000**	**£000**	**£000**	**£000**
GO Outdoors Limited	4,955	(384)	104	1,696	6,371
President Engineering Group Ltd	3,281	(200)	-	997	4,078
DisplayPlan Holdings Limited	3,042	(422)	-	1,234	3,854
Seven Technologies Holdings Limited	2,557	(1,302)	984	357	2,596
Gill Marine Holdings Limited	-	-	2,500	-	2,500
Mangar Health Limited	-	-	2,460	-	2,460
Waterfall Services Limited	1,736	(667)	-	1,303	2,372
Deep-Secure Ltd	1,940	-	-	(189)	1,751
GTK (UK) Limited	-	(57)	1,750	-	1,693
Leengate Holdings limited	-	-	1,401	-	1,401
Harvey Jones Holdings Limited	836	-	-	64	900
Bagel Nash Group Limited	600	(50)	603	(256)	897
Callstream Group Limited	608	(130)	-	274	752
Harris Hill Holdings Limited	701	-	-	48	749
Other investments	4,189	-	90	(748)	3,531
Total unquoted investments	**24,445**	**(3,212)**	**9,892**	**4,780**	**35,905**
Quoted portfolio					
Pressure Technologies plc	468	(515)	-	1,084	1,038
AB Dynamics plc	-	-	224	218	442
Other investments	2,647	(909)	97	643	2,477
Total quoted investments	**3,115**	**(1,424)**	**321**	**1,945**	**3,957**
Total investment portfolio	**27,560**	**(4,636)**	**10,213**	**6,725**	**39,862**

Principal Risks

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:

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" earlier in this announcement.

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 and a diversified portfolio operating in a range of sectors. The Fund Manager 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 Fund Manager carries out due diligence on potential investee companies and their management teams and utilises external reports where appropriate to assess the viability of investee businesses before investing. Wherever possible a non-executive director will be appointed to the board of the investee.

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 will be (assuming its application to become a Self-managed Alternative Investment Fund is accepted by the Financial Conduct Authority) subject to the EU's Alternative Investment Fund Manager's Directive with 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 Fund Manager has 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 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 Fund Manager is well-respected with a proven track record and has a formal recruitment process to employ experienced investment staff. Allocation rules relating to co-investments with other funds managed by the Fund Manager, have been agreed between the Fund Manager and the Company. Advice is sought from external advisors where required. Both the Company and the Fund Manager maintain appropriate insurances.

Operational

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

Mitigation - The Fund Manager 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 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 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 Fund Manager 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.

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.

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 Fund Manager.

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 Fund Manager 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 Fund Manager and any other service providers must not promise, offer, give, request, agree to receive or accept financial or other advantage in return for favourable treatment, to influence a business outcome or gain any business advantage on behalf of the Company or encourage others to do so; and
- the Company has communicated its anti-bribery policy to the Fund Manager 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 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 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, director’s report and director’s 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation 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 or the principal risks and uncertainties that they face.

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.

This statement was approved by the Board and signed on its behalf on 12 June 2014.

Helen Sinclair
Chairman

Financial Statements

Statement of Comprehensive Income for the year to 31 March 2014

	Notes	**2014** Revenue	Capital	Total	2013 Revenue	Capital	Total
		£000	**£000**	**£000**	£000	£000	£000
Gain on disposal of investments		**-**	**691**	**691**	-	699	699
Gains on investments held at fair value		**-**	**5,969**	**5,969**	-	233	233
Income		**1,341**	**-**	**1,341**	1,323	-	1,323
Administrative expenses:	3						
Fund management fee		**(221)**	**(665)**	**(886)**	(188)	(564)	(752)
Incentive fee		**-**	**(221)**	**(221)**	-	(39)	(39)
Other expenses		**(369)**	**-**	**(369)**	(341)	-	(341)
		(590)	**(886)**	**(1,476)**	(529)	(603)	(1,132)
Profit before taxation		**751**	**5,774**	**6,525**	794	329	1,123
Taxation	4	**(105)**	**105**	**-**	(138)	138	-
Profit for the year		**646**	**5,879**	**6,525**	656	467	1,123
Total comprehensive income for the year		**646**	**5,879**	**6,525**	656	467	1,123
Basic and diluted earnings per ordinary share (p)	6	**1.30**	**11.84**	**13.14**	1.62p	1.16p	2.78p

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 Association of Investment Companies.

Balance Sheet as at 31 March 2014

	Notes	**2014**	2013 (restated)
		£000	£000
Assets			
Non-current assets			
Investments		**39,862**	27,560
Fixed income government securities		**2,403**	2,474
Financial assets at fair value through profit or loss	7	**42,265**	30,034
Trade and other receivables		**151**	-
		42,416	30,034
Current assets			
Trade and other receivables		**243**	197
Cash on fixed term deposit		**2,000**	1,500
Cash and cash equivalents		**18,962**	10,669
		21,205	12,366
Liabilities			
Current liabilities			
Trade and other payables		**(1,037)**	(311)
Net current assets		**20,168**	12,055
Net assets		**62,584**	42,089

Shareholders' equity			
Share capital		**6,386**	4,661
Share premium account		**23,165**	7,236
Capital redemption reserve		**221**	221
Capital reserve		**16,535**	19,349
Investment holding gains		**15,879**	9,259
Revenue reserve		**398**	1,363
Total Shareholders' equity		**62,584**	42,089
Basic and diluted net asset value per ordinary share	8	**102.0p**	97.0p

Statement of Changes in Equity for the year to 31 March 2014

	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 2012	**4,039**	**23,176**	**221**	**360**	**7,432**	**2,666**	**37,894**
Prior Period Adjustment (note 1)	-	-	-	(1,578)	1,578	-	-
Restated at 31 March 2012	**4,039**	**23,176**	**221**	**(1,218)**	**9,010**	**2,666**	**37,894**
Revenue return for the year	-	-	-	-	-	*656*	*656*
Capital expenses	-	-	-	*(465)*	-	-	*(465)*
Gain on investments held at fair value	-	-	-	-	*233*	-	*233*
Gain on disposal of investments in the year	-	-	-	*699*	-	-	*699*
Total comprehensive income for the year	-	-	-	234	233	656	1,123
Issue of share capital	*577*	*5,091*	-	-	-	-	*5,668*
Issue costs	-	*(300)*	-	-	-	-	*(300)*
Issue of shares – DRIS	*45*	*356*	-	-	-	-	*401*
Issue costs - DRIS	-	*(23)*	-	-	-	-	*(23)*
Purchase of own shares	-	-	-	*(705)*	-	-	*(705)*
Dividends	-	-	-	-	-	*(1,959)*	*(1,959)*
Total transactions with owners	622	5,124	-	(705)	-	(1,959)	3,082
Reduction in share premium account	-	(21,064)	-	21,064	-	-	-
Reduction in share premium account expenses	-	-	-	(10)	-	-	(10)
Realisation of prior year investment holding losses	-	-	-	(16)	16	-	-
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**

The capital reserve and revenue reserve are both distributable reserves. These reserves total £16,933,000 (2013: £20,712,000) representing a decrease of £3,779,000 (2013: £19,264,000 increase) during the year. This change arises from the profit in the year of £556,000 (2013: £890,000), a transfer of valuation losses from the investment holding reserve of £651,000 (2013: £16,000 transfer of valuation profits), dividends of £3,221,000 (2013: £1,959,000), transfer of £143,000 (2013: £nil) on the cancellation of treasury shares and the purchase of own ordinary shares of £606,000 (2013: £705,000). 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. The revenue reserve includes £148,000 (2013: £nil) of interest receivable in 2018 which should be excluded in the calculation of the Company's distributable reserves at 31 March 2014.

As at 31 March 2013 the capital reserve was presented as three separate reserves in the Statement of Changes in Equity. As at 31 March 2014 these have been combined so as to present the Company's distributable reserves more clearly, with the balances as at 31 March 2012 and 31 March 2013 summarised accordingly and reconciled in the table below:

	As reported in the Interim Report for six months to 30 September 2013			**As reported 31 March 2014**
	Capital reserve	**Special Reserve**	**Treasury Reserve**	**Revised capital reserve**
	£000	**£000**	**£000**	**£000**
Balance at 31 March 2012	(1,578)	2,408	(2,048)	**(1,218)**
Balance at 31 March 2013	(1,360)	23,462	(2,753)	**19,349**

Statement of Cash Flows for the year ended 31 March 2014

	2014	2013
	£000	£000
Net cash outflow from operating activities	**(93)**	(1,098)
Cash flows from investing activities		
Cash maturing from / (placed on) fixed term deposit	**(500)**	3,500
Purchase of financial assets at fair value through profit or loss	**(10,620)**	(6,097)
Proceeds from sale of financial assets at fair value through profit or loss	**5,093**	3,801
Net cash from investing activities	**(6,027)**	1,204
Cash flows from (used in) in financing activities		
Issue of ordinary shares	**17,712**	5,668
Costs of ordinary share issues*	**(234)**	(349)
Purchase of own ordinary shares	**(466)**	(569)
Share premium reduction costs	**(9)**	(1)
Dividends paid – net of dividends re-invested	**(2,590)**	(1,558)
Net cash from (used in) financing activities	**14,413**	3,191
Net increase in cash and cash equivalents	**8,293**	3,297

Cash and cash equivalents at the beginning of the year	**10,669**	7,372
Cash and cash equivalents at the end of the year	**18,962**	10,669

*Issue costs include both fundraising costs and expenses incurred from the Company's dividend re-investment scheme.

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

	2014 **£000**	2013 £000
Profit before taxation	**6,525**	1,123
(Increase) decrease in trade and other receivables	**(214)**	246
Increase (decrease) in trade and other payables	**277**	(1,517)
Profit on disposal of investments in the year	**(691)**	(699)
Profit on investments held at fair value	**(5,969)**	(233)
Capitalised interest	**(21)**	(18)
Net cash outflow from operating activities	**(93)**	(1,098)

Notes to the Financial Statements

1. Basis of Accounting

This announcement of the annual results of the Company for the year ended 31 March 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 in compliance with the recommendations set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies 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 only new standard effective for the year ended 31 March 2014 which has had a material impact on the financial statements is IFRS 13 "Fair Value Measurement". Note 7 of the financial statements includes investments disclosed in the fair value hierarchy classification under IFRS 13 and includes the relevant fair value disclosures as required by IFRS 13. There has been no material change to the measurement of fair values of investments from the implementation of IFRS 13.

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, IFRS 10, IFRS 11 and IFRS 12 and amendments to IAS 24, IAS 27, IAS 28, IAS 32 and IAS 36. 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.

Prior Period Adjustment

The full background to the prior period adjustment is described in the Interim Report of the Company to 30 September 2013. Whilst not impacting the Company's net asset value during this time, the consequent reclassification of losses had a material impact on the Company's distributable reserves. As a result the Company has restated the balance sheets as at 31 March 2012 and 31 March 2013 (this adjustment was recognised in the Interim Report of the Company to 30 September 2013) to transfer net realised losses of £1.578 million arising between 2006 and 2008 from the Investment Holding Gains (Losses) Reserve to the Capital Reserve. A third balance sheet has not been prepared as the prior period adjustment related to a reclassification of reserves, which is shown in the Statement of Changes in Equity.

The Company was advised that the payment of dividends and buy back of shares in the period since 31 March 2011 should be sanctioned by the passing of certain special resolutions, followed by an application to the Court to approve a reduction in share capital. The Company put the relevant resolutions to Shareholders at a General

Meeting held in January 2014 which were approved. Following the passing of these resolutions 1,431,373 ordinary shares bought back in the period between 20 September 2011 and 19 June 2013 were cancelled pursuant to an order of the High Court on 12 February 2014. This had no impact on the net asset value of the Company.

2. Income

	2013 £000	2013 £000
Dividends from unquoted companies	**156**	20
Dividends from quoted companies	**70**	87
	226	107
Interest on loans to unquoted companies	**952**	1,017
Fixed interest Government securities	**54**	58
Income from investments held at fair value through profit or loss	**1,232**	1,182
Interest on deposits	**109**	141
	1,341	1,323

In addition, an amount of £158,000 (2013: £228,000) of income in relation to loan interest has not been recognised due to uncertainty over its future receipt.

3. Administrative expenses and Fund Manager Fees

	2014 £000	2013 £000
Fund management fee (net of rebate)	**886**	**752**
Other expenses:		
Administration fee	**58**	**56**
Incentive fee	**221**	**39**
Directors' remuneration	**83**	**81**
Auditor's remuneration – audit of the statutory financial statements	**22**	**18**
General expenses:		
Trail commission paid to financial intermediaries	**60**	**30**
Other expenses	**126**	**138**
Irrecoverable VAT	**20**	**18**
	1,476	**1,132**

Fund Administration

YFM Private Equity Limited provides fund management services to the Company under a subscription rights agreement dated 28 February 1996 ("Subscription Rights Agreement") as varied by agreements dated 1 July 2009 and 16 November 2012. 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 a fund management 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 fund management fee is allocated between capital and revenue as described in note 1. The fee is payable quarterly in advance. This fee totalled £886,000 for the year ended 31 March 2014 (2013: £752,000), 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 £58,000 for the year to 31 March 2014 (2013: £56,000); and

- Under a deed of variation dated 16 November 2012 YFM Private Equity Limited shall bear the annual operating costs (excluding VAT and trail commissions payable to financial intermediaries) of the Company to the extent that these costs, calculated on a TER basis, exceed 3.25 per cent of its Net Asset Value. The excess expenses during the year payable to the Company from YFM Private Equity Limited amounted to £nil (2013: £nil).

When the Company makes investments into its unquoted portfolio the Fund Manager charges that investee an arrangement fee, calculated by applying a percentage to the investment amount. During the year the company and Fund Manager agreed that, with effect from 1 October 2013, 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 2014, the Company was due a rebate from the Fund Manager of £29,800.

The Board has also agreed with the Fund Manager that the monitoring and directors fees it receives from investee companies will be limited to a range between £20,000 to £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 ("the Incentive Agreement"). Under the Incentive Agreement the Fund Manager 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 2014 under the Incentive Agreement unless the average quarterly adjusted Net Asset Value of the Company is a minimum of 92.8 pence per ordinary share and in addition at least 4.7 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 Fund Manager for any one year shall, when taken with all other relevant costs, ensure that the Total Expenses Ratio is no greater than 5 per cent of the Net Asset Value at the end of the financial year (as adjusted for all realised gains that have been distributed during that year). Any unpaid incentive payment will be carried over to subsequent financial years and be included in the calculation of the Total Expenses Ratio.

Both in the current and prior year, the Fund Manager had achieved its adjusted targets and £220,531 (2013: £38,678) has been accrued within trade and other payables. The incentive fee is payable following the Annual General Meeting on 22 July 2014.

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 16 November 2012 (which closed on 30 April 2013), YFM Private Equity Limited was entitled to 5.5 per cent of gross subscriptions, less the cost of incentive shares and re-investment of intermediary commission, for all applications on or before 28 December 2012. After this date 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 directly from applicants or through intermediaries offering financial advice, less the cost of incentive shares and re-investment of intermediary commission. This net amount totalled £217,035, with £182,436 in the year to 31 March 2014 (2013: £34,599).

Under the terms of the joint offers with British Smaller Companies VCT2 plc launched on 14 January 2014 (which closed on 5 April 2014 and 29 May 2014 respectively) 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 £251,871 in the year to 31 March 2014.

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).

4. Taxation

	2014 Revenue £000	2014 Capital £000	2014 Total £000	2013 Revenue £000	2013 Capital £000	2013 Total £000
Profit before taxation	**751**	**5,774**	**6,525**	794	329	1,123
Profit before taxation multiplied by standard small company rate of corporation tax in the UK of 20%	**150**	**1,155**	**1,305**	159	66	225
Effect of:						
UK dividends received	**(45)**	**-**	**(45)**	(21)	-	(21)
Non taxable profits on investments	**-**	**(1,332)**	**(1,332)**	-	(187)	(187)
Excess management expenses	**-**	**72**	**72**	-	(17)	(17)
Tax charge (credit)	**105**	**(105)**	**-**	138	(138)	-

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

Deferred tax assets of £688,000 (2013: £618,000) calculated at 20 per cent in respect of unrelieved management expenses of £3,442,000 as at 31 March 2014 (31 March 2013: £3,087,000) 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:

	2014 Revenue £000	2014 Capital £000	2014 Total £000	2013 Revenue £000	2013 Capital £000	2013 Total £000
Final dividend for 2013 of 3.5p per ordinary share and a special dividend of 1.0p per (2013: 3.0p per ordinary share)	**1,363**	**860**	**2,223**	**1,176**	**-**	**1,176**
Interim dividend for 2014 of 2.0p per ordinary share (2013: 2.0p per ordinary share)	**248**	**750**	**998**	**783**	**-**	**783**
	1,611	**1,610**	**3,221**	**1,959**	**-**	**1,959**
Re-invested under the DRIS			**(631)**			**(401)**
Dividends paid in the Statement of Cash Flows			**2,590**			**1,558**

The final dividend of 3.5 pence per ordinary share, plus the special dividend of 1.0 pence per ordinary share in respect of the year to 31 March 2013 was paid on 13 August 2013 to Shareholders on the register at 12 July 2013.

The interim dividend of 2.0 pence per ordinary share was paid on 18 March 2014 to Shareholders on the register at 21 February 2014.

A final dividend of 3.5 pence per ordinary share in respect of the year to 31 March 2014 has been proposed, amounting to £2.15 million. This dividend has not been recognised in the year ended 31 March 2014 as the obligation will not exist until the dividend is approved by Shareholders at the Annual General Meeting on 22 July 2014.

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 equity Shareholders of £6,525,000 (2013: £1,123,000) and 49,655,831 (2013: 40,389,708) 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 equity Shareholders after tax of £656,000 (2013: £656,000) and 49,655,831 (2013: 40,389,708) 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 equity Shareholders of £5,879,000 (2013: £467,000) and 49,655,831 (2013: 40,389,708) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company issued 18,680,132 new ordinary shares. The Company also repurchased 685,217 of its own ordinary shares, which are held in treasury.

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.

After the year end the Company issued 4,179,046 new ordinary shares (note 11). If these ordinary shares had been issued on 31 March 2014 the weighted average number of ordinary shares in issue during the year would have been unchanged and there would have been no change in the basic and diluted earnings per ordinary share figures shown at the foot of the Statement of Comprehensive Income.

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 March 2014 are summarised as follows:

IFRS 7 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	15,084	3,366	**18,450**	2,427	**20,877**
Opening valuation gain	9,553	(443)	**9,110**	47	**9,157**
Opening fair value at 1 April 2013	**24,637**	**2,923**	**27,560**	**2,474**	**30,034**
Transfer between Level 1 & Level 3[1]	(192)	192	**-**	-	**-**
Additions at cost	9,871	321	**10,192**	460	**10,652**
Capitalised interest	21	-	**21**	-	**21**
Disposal proceeds	(3,212)	(1,424)	**(4,636)**	(459)	**(5,095)**
Net profit (loss) on disposal[2]	114	572	**686**	(2)	**684**
Change in fair value	4,666	1,373	**6,039**	(70)	**5,969**
Closing fair value at 31 March 2014	**35,905**	**3,957**	**39,862**	**2,403**	**42,265**
Closing cost	22,063	2,710	**24,773**	2,436	**27,209**
Closing valuation gain (loss)	13,842	1,247	**15,089**	(33)	**15,056**
Closing fair value at 31 March 2014	**35,905**	**3,957**	**39,862**	**2,403**	**42,265**

1. *During the year Cambridge Cognition was listed on AIM becoming Cambridge Cognition Holdings plc.*
2. *The net profit on disposal in the table above is £684,000 whereas that shown in the Statement of Comprehensive Income is £691,000. The difference comprises deferred proceeds of £7,000 in respect of assets which have been disposed and are not included within the investment portfolio at the year end.*

All of the changes in fair value during the year related to assets held at the year end. The total of fair value adjustments below cost made against unquoted investments at 31 March 2014 amounted to £4,108,000 (2013: £1,655,000). There have been no individual fair value adjustments downwards during the year that exceeded five per cent of the total assets of the Company (2013: none).

During the year four investments moved from being held at price of recent investment, reviewed for change in fair value, to an earnings multiple basis. Each company was valued upwards, with the net impact being a gain of £8,227,000. One investment has moved from an earnings multiple basis to be valued at price of recent investment, reviewed for change in fair value and has decreased in value by £130,000.

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 £62,584,000 (2013: £42,089,000) and 61,385,687 (2013: 43,390,772) 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

2014. 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 90.7 pence per ordinary share (2013: 84.2 pence per ordinary share) plus the net asset value as calculated in note 8.

10. Related Party Transactions

The Company has not entered into any related party transactions that have had a material impact on its financial position or performance in the year to 31 March 2014. Full details of related party transactions are shown in note 15 to the Annual Report and Accounts which can be obtained as described in note 13.

11. Events after the Balance Sheet Date

Since the end of the reporting period, the Company has completed five additional investments totalling £4.70 million and approved further investments totalling £2.94 million.

Subsequent to the year end the Company allotted a total of 4,179,046 ordinary shares on 4 April 2014, 5 April 2014 and 29 May 2014 pursuant to the joint offer detailed under "Fundraising" in the Chairman's Statement.

12. Financial Information

The financial information set out in this announcement for the year ended 31 March 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 full statutory accounts for that period. Statutory accounts for the year ended 31 March 2014 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 22 July 2014. 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 March 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. They can also shortly be viewed on the Fund Manager's website at www.yfmep.com. Hard copies of the statutory accounts for the year ended 31 March 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: 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 33 St James Square, London, SW1Y 4JS, on 22 July 2014 at 12.00 noon.

16. Final Dividend for the year ended 31 March 2014

Further to the announcement of its final results for the year ended 31 March 2014, the Company confirms that, subject to its approval by Shareholders at the forthcoming Annual General Meeting to be held on 22 July 2014, the final dividend of 3.5 pence per ordinary share ("Final Dividend") will be paid on 1 August 2014 to those Shareholders on the Company's register at the close of business on 4 July 2014. The ex-dividend date will be 2 July 2014.

17. Dividend re-investment scheme

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 18 July 2014.

For further information, please contact:

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