RNS Number : 5418S
British Smaller Companies VCT PLC
14 June 2024

British Smaller Companies VCT plc
Annual Financial Report Announcement
for the year ended 31 March 2024

British Smaller Companies VCT plc (the "Company") today announces its audited results for the year ended 31 March 2024.

HIGHLIGHTS

- 4.7 per cent return on opening net assets, before dividends of 4.0 pence paid in the year, driven by both underlying revenue growth in portfolio companies and positive realisations.
- Net asset value at 31 March 2024 of 83.6 pence per share (2023: 83.7 pence per share), with 3.9 pence increase in Total Return to 262.5 pence per share.
- Realisations generated total proceeds of £16.5 million in the year, a gain of £4.6 million over the opening carrying value and £11.3 million over cost, a blended return of 3.1x cost.
- Two new investments and six follow-on investments totalling £9.1 million completed during the year. Two new investments totalling £4.7 million completed since the year end.
- Total dividends paid during the year ended 31 March 2024 of 4.0 pence per share (2023: 8.5 pence per share), bringing total cumulative dividends paid since inception to 178.9 pence per share at 31 March 2024 (2023: 174.9 pence per share).
- £62.4 million raised in the year. £44.3 million raised in 2022/23 and allotted in April 2023, £18.1 million raised in 2023/24 and allotted in January 2024. An additional £36.8 million raised in 2023/24 and allotted post-year-end in April 2024.
- The Board is declaring an interim dividend of 2.0 pence per share in respect of the year ending 31 March 2025. The dividend will be paid on 26 July 2024 to shareholders on the register on 28 June 2024.

Chair's Statement

I am pleased to present the 2024 annual report and financial statements of British Smaller Companies VCT plc (the "Company"), which highlight steady progress for the Company despite a challenging global economic and political environment.

The year has been characterised by the US, UK and European economies tackling persistently high inflation. UK interest rates were still rising in the early part of the Company's financial year, reaching a peak of 5.25 per cent by August. While rates of inflation have come down since, they remain stubbornly above central bank target rates, resulting in delayed cuts to interest rates which continue to weigh on the economy.

Across this period the Company has generated a 4.7 per cent return on its opening net asset value in the year. Over the same period, the FTSE Small Cap rose by 4.4 per cent, while the AIC's index of generalist VCTs rose by 0.3 per cent on a Share Price Total Return basis.

Two continuing trends have driven this positive return. First, portfolio companies have adapted well to market conditions and, while focused on capital efficiency, are still achieving good growth rates in most cases. Of the 24 portfolio companies valued on a revenue basis, all but five have demonstrated positive revenue growth over the last 12 months, and nine have delivered growth of over 40 per cent. This growth has helped to offset the impact of lower valuation multiples, and leaves the portfolio well placed for further growth as market conditions improve.

Second, the portfolio continues to achieve positive realisations in a market where many firms have struggled to convert book values into cash. In the year the Company fully realised four investments and partially realised a further two for combined proceeds of £16.5 million at a blended return of 3.1 times cost; these were pleasing outcomes for the Company and reflect the Company's ethos of working closely with management teams to generate positive returns from all of its investments.

Financial Performance

In 2024, the Company delivered a 3.9 pence per ordinary share increase in Total Return which, as noted above, is equivalent to 4.7 per cent of the opening net asset value at 31 March 2023. Total Return is now 262.5 pence per ordinary share.

The portfolio drove the positive performance, which generated a return of £10.6 million, 8.6 per cent over its opening value with £4.6 million of the return from realised investments and £6.0 million from unrealised investments. New and follow-on investments totalling £9.1 million were completed in the year.

Realisations in the Year

Realisations of portfolio investments generated total proceeds of £16.5 million, a gain of £4.6 million over the opening carrying value and £11.3 million over the original cost. There were four full realisations in the year: Ncam, E2E, MacroArt and DisplayPlan; and two partial realisations: KeTech and Arcus.

The investment in Ncam was realised in April 2023, generating initial proceeds of £1.4 million (0.6x cost), with the potential for additional receipts of up to £1.2 million over the coming years, which would see the Company fully recover its investment. £0.3 million of deferred proceeds have been recognised at the year-end.

In November 2023 the Company exited its investment in E2E for £2.0 million, representing a 2.5x return on the Company's cost; and MacroArt for £1.5 million, representing a 2.0x return on cost.

To maximise shareholder value, the KeTech business was split into its two component parts, Rail and Defence. The Defence business was subsequently sold in January 2024, generating proceeds of £1.5 million. To date, the Company has realised proceeds of £4.1 million from its KeTech investment, a 2.0x return on cost, while still retaining its investment in the Rail business, which at the year-end was valued at £1.2 million.

In January 2024 the Company realised part of its investment in Arcus, generating proceeds of £0.3 million, while still retaining its investment in the remaining restructured business which at the year-end was valued at £1.0 million. This combined £1.3 million of value to date equates to 0.4x cost.

In February 2024, the Company sold its investment in Displayplan for £9.0 million. Total proceeds received over the life of the investment are £12.5 million, an excellent 9.6x return on the Company's cost. There is the potential for further deferred proceeds in due course with £0.6 million of deferred proceeds recognised at the year-end.

New Investments

The Company invested £9.1 million in the year into the portfolio. Two new investments were made in the year, totalling £4.9 million. In our continued support of the portfolio, six companies received follow-on funding in the year, totalling £4.2 million.

The new investments are:

Investment	**Sector**
GEEIQ	Data and market intelligence platform in the gaming space
Workbuzz	SaaS based employee engagement, survey and insights platform

Financial Results

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

	Pence per ordinary share		£000	
NAV at 31 March 2023		83.7		157,032
Increase in value	2.3		6,045	
Gain on disposal of investments	1.7		4,475	
Net underlying change in investment portfolio	4.0		10,520	
Net operating income	-		98	
Total Return in period		4.0		10,618
Issue/buy-back of new shares		(0.1)		61,585
NAV before the payment of dividends		87.6		229,235

Dividends paid		(4.0)		(9,635)
NAV at 31 March 2024		**83.6**		**219,600**
Cumulative dividends paid		178.9		
Total Return: at 31 March 2024		**262.5**		
at 31 March 2023		258.6		

The charts on page 11 of the annual report show the movement in Total Return and Net Asset Value over time in greater detail.

The portfolio investments held at the beginning of the financial year, amounting to £123.4 million, delivered a return over the year of £10.6 million. There was a gain of £0.1 million arising from prior year realisations, and the realisation of the listed investments generated a value reduction of £0.2 million.

The current portfolio's net valuation increased by £6.0 million. Within this there were gains of £14.8 million, offset by £8.8 million of downward movements.

Treasury

Due to the nature of its structure, a proportion of the Company's net assets will be held in cash and cash equivalents at any point in time. As interest rates have risen, the Company has taken an active approach to generating a good return on liquid funds, whilst remaining focused on the primary goal of capital preservation.

A portion of the Company's liquid assets are held across a diversified range of Triple-A rated money market funds, managed by global institutions, while the balance is held as readily accessible cash, all of which is held at Tier 1 Financial Institutions (A2 rated or above).

The Company's small externally managed listed portfolio was exited in the period, due to the better risk-adjusted return profile available in money market funds and cash deposits.

In the year, the Company generated a return of £2.8 million on its liquid assets, and at year-end was generating a weighted run-rate return on these assets of around 4.8 per cent per annum.

Dividends

Dividends paid in the year totalled 4.0 pence per ordinary share. These comprised interim dividends of 4.0 pence per ordinary share for the year ended 31 March 2024. Cumulative dividends paid as at 31 March 2024 were 178.9 pence per ordinary share.

An interim dividend for the year ending 31 March 2025 of 2.0 pence per ordinary share will be paid on 26 July 2024, to shareholders on the register at 28 June 2024.

Dividend Re-investment Scheme ("DRIS")

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

1 the dividends remain tax free; and

2 any DRIS investment attracts income tax relief at the rate of 30 per cent.

For the financial year ended 31 March 2024, £2.0 million was re-invested by way of the DRIS, from overall dividends paid of £9.6 million.

Fundraising

During the year the Company received net proceeds of £44.3 million from its 2022/23 fundraising, allotted in April 2023; and £18.1 million from the first allotment of its 2023/24 fundraising, allotted in January 2024.

Shareholder Relations

Investor workshop

The annual shareholder workshop held on 20 June 2023 was well attended. Attendees heard from Tom Dunlop, CEO of Summize, and Philip Hunt, Chair of Vuealta.

The Company also hosted an online webinar on 27 November 2023, which included presentations from Tom Whicher, CEO of DrDoctor, and Mal Barritt, CEO of TravelTek.

We are pleased to confirm that the next in-person shareholder workshop will be held jointly with British Smaller Companies VCT2 plc on 20 June 2024 at One Great George Street, Westminster, London SW1 3AA.

The electronic communications policy continues to be a success, with 82 per cent of shareholders now receiving communications in this way. Documents such as the annual report are published on the website www.bscfunds.com rather than by post, saving on printing costs, as well as being more environmentally friendly.

The Company's website, www.bscfunds.com., is refreshed on a regular basis and provides a comprehensive level of information in what I hope is a user-friendly format.

Annual General Meeting

The Annual General Meeting of the Company will be held at 9:30 am on 10 September 2024 at Thomas House

The Annual General Meeting of the Company will be held at 9.30 am on 10 September 2024 at Thomas House, 84 Ecclestone Square, London SW1V 1PX. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 92 of the annual report.

Events After the Balance Sheet Date

On 3 April 2024 the Company allotted the final shares from its fully subscribed 2023/24 share offer. Gross proceeds of £36.8 million were raised, resulting in the issue of 42,588,037 ordinary shares. This increased the number of ordinary shares in issue to 305,247,398.

Subsequent to the year end, £4.7 million has been invested into two new investments, Fuuse and Ohalo.

Outlook

While rates of inflation have come down in recent months, central banks remain wary of its persistence, which is seeing interest rates remaining at elevated levels for longer than originally anticipated. Ongoing geopolitical instability, particularly in Ukraine and the Middle East, may negatively impact western economies, while upcoming US and UK elections may also provide some uncertainty.

Portfolio companies have performed well while maintaining a focus on capital efficiency over the past 12 months. They are therefore now well placed to take on further funding to accelerate growth, and we anticipate significant opportunities to deploy capital into the Company's most promising investments over the course of the next year. The Company's 2023/24 fundraising leaves it well placed to provide this support, as well as adding new companies to the portfolio in the coming year.

Rupert Cook
Chair
14 June 2024

Objectives and Key Policies

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

Investment Strategy

The Company seeks to build a broad portfolio of investments in early-stage companies focused on growth, with the aim of spreading the maturity profiles and maximising return, as well as ensuring compliance with VCT Regulations.

The Company predominantly invests in unquoted smaller companies and expects that this will continue to make up the significant majority of the portfolio. It will also retain holdings in cash or near-cash investments to provide a reserve of liquidity which will maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Unquoted investments are structured using various investment instruments, including ordinary shares, preference shares, convertible securities and very occasionally loan stock, to achieve an appropriate balance of income and capital growth, having regard to the VCT Regulations. The portfolio is diversified by investing in a broad range of industry sectors. The normal investment period into the portfolio companies is expected to be typically between the range of five to seven years.

Investment Policy

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

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

The Company seeks to build a broad portfolio of investments in early-stage companies focused on growth with the aim of spreading the maturity profiles and maximising return as well as ensuring compliance with the VCT guidelines.

Borrowing

The Company does not borrow and has no borrowing facilities, choosing to fund investments from its own resources.

Co-investment

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc (together "the VCTs") typically co-invest in investments, allocating such investments 60 per cent to the Company and 40 per cent to British Smaller Companies VCT2 plc. However, the Board of the Company has discretion as to whether or not to take up its allocation; where British Smaller Companies VCT2 plc does not take its allocation, the Board may opt to increase the Company's allocation in such opportunities.

The VCTs may invest alongside co-investment funds managed by YFM, the Manager of the VCTs. The VCTs have first priority on all equity investment opportunities meeting the VCT qualifying criteria. Non-VCT qualifying investments are allocated to YFM's co-investment funds.

Asset Mix

Cash which is pending investment in VCT-qualifying securities is held in money market funds and interest bearing instant access and short-notice bank accounts.

Remuneration Policy

The Company's policy on the remuneration of its directors, all of whom are non-executive, can be found on page 49 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 1 of the annual report. In addition to these, details of the Company's anti-bribery and environmental and social responsibilities policies can be found on page 35 of the annual report.

Processes and Operations

The Manager is responsible for the sourcing and screening of investment opportunities, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments.

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

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

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

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

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

Key Performance Indicators

Total Return, calculated by reference to the cumulative dividends paid plus net asset value (excluding tax reliefs received by shareholders), is the primary measure of performance in the VCT industry.

The chart on page 11 of the annual report shows how the Total Return of your Company has developed over the last ten years.

The evaluation of comparative success of the Company's Total Return is by way of reference to the Share Price Total Return for an index of generalist VCTs that are members of the AIC (based on figures provided by Morningstar). 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 51 of the annual report.

The second chart on page 11 of the annual report illustrates the Total Return (excluding tax reliefs received by shareholders) for investors who subscribed to the first fundraising in 1996 who have re-invested their dividends.

Shareholder Returns

The Board considers Total Return to be the primary measure of shareholder value. The IRR returns from the offers over the last ten years are set out on page 12 of the annual report. IRR is the annual rate of return that equates the cost at the date of the original investment, with the value of subsequent dividends plus the audited 31 March 2024 Net Asset Value per share. This excludes the benefit of any initial tax relief.

The IRRs shown are based on fundraisings and offer prices during the relevant calendar year whilst the second graph shows specific financial periods to 31 March 2024. Note, there were no fundraisings in 2018 and 2020 and it is too soon to give meaningful returns for the fundraising in 2023 and 2024.

Also set out on page 12 of the annual report is the annualised return over 10, 5, 3, 2 and 1 years to 31 March 2024. The annualised return is calculated with reference to the cumulative dividends paid in the period plus the audited NAV at 31 March 2024, compared to the NAV at the beginning of the relevant period.

Expenses

Ongoing Charges

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

	Year to 31 March 2024 (%)	Year to 31 March 2023 (%)
Ongoing Charges figure*	**1.85**	2.12

* Alternative Performance Measure.

Shareholders benefit from the Company's agreement with the Manager to pay a lower level of management fee of 1 per cent on surplus cash. The Company's ongoing charges ratio is one of the lowest in the VCT industry.

Expenses Cap

The total costs incurred by the Company in the year (excluding any performance related fees, trail commission payable to financial intermediaries and VAT) is capped at 2.9 per cent of the total net asset value as at the relevant year end. The treatment of costs in excess of the cap is described in note 3 below. There was no breach of the expenses cap in the current or prior year.

Compliance with VCT Legislative Tests

A principal risk facing the Company is the retention of its VCT qualifying status. The Board receives regular reports on compliance with the VCT legislative tests from the Manager. In addition, the Board receives formal reports from its VCT Tax Adviser (Philip Hare & Associates 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 a European regulated market throughout the period, there are further specific tests that VCTs must meet following the initial three year provisional period.

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

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

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

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

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

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

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

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

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

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

Maximum Single Investment Test
The value of any one investment must not, at any time in the period, represent more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and updated should there be further additions; as such, it cannot be breached passively.

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

Further restrictions placed on VCTs are:

Dividends from Cancelled Share Premium

The Finance Act 2014 introduced a restriction with respect to the use of monies 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 full financial years have elapsed from the date of allotment.

In October 2022 the Company cancelled the balance of its Share Premium, £63.6 million, of which £30.0 million is now distributable. The remaining £33.6 million will become distributable over the period to 1 April 2026, as set out on page 63 of the annual report.

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

a. The business has previously received an investment from a source that has received state aid; or

b. The investment comprises more than 50 per cent of the average of the previous five years' turnover and the funds are to be used in the business to fund growth into new product markets and/or new geographies.

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

Portfolio Structure and Analysis

Portfolio Structure
The broad range of the portfolio is illustrated on page 15 of the annual report, with 35 per cent of the portfolio valuation being held for more than five years, while 93 per cent is valued at cost or above. 9 per cent of the portfolio value is held in loans and preference shares, and loans account for only 3 per cent of the value.

Portfolio Analysis
Also included on page 16 of the annual report is a profile of the portfolio by industry sector.

Investment Review

The movements in the investment portfolio are set out in Table A below:

Table A
Investment Portfolio

	Portfolio £million	Listed Investment Funds £million	Total £million
Opening fair value at 1 April 2023	123.4	4.0	127.4
Additions	9.1	0.3	9.4
Disposal proceeds	(16.5)	(4.1)	(20.6)
Valuation movement	10.6	(0.2)	10.4
Closing fair value at 31 March 2024	**126.6**	**-**	**126.6**
Accrued income	2.1	-	2.1
Financial assets - investments	**128.7**	**-**	**128.7**

At 31 March 2024 the portfolio was valued at £126.6 million, representing 57.6 per cent of net assets (78.6 per cent at 31 March 2023). Cash and cash equivalents at 31 March 2024 of £89.8 million represented 40.9 per cent of net assets (18.0 per cent at 31 March 2023).

The Portfolio

£126.6 million	**Fair value of the portfolio**	(2023: £123.4 million)
25	**Number of portfolio companies with an investment value of more than £1.0 million**	(2023: 27)
£1.1 million	**Income from the portfolio**	(2023: £1.4 million)
£9.1 million	**Level of investment**	(2023: £28.4 million)
£10.6 million	**Return from the portfolio**	(2023: £14.2 million)

The portfolio showed robust performance in the period, adding £10.6 million of value on the opening fair value of £123.4 million. The composition of investments continues to show its dynamism, with £9.1 million invested in the period and cash proceeds of £16.5 million received.

Fair value changes
Table B
Gain from Investment Portfolio

	£million	%
Gain in fair value from the portfolio	6.0	57
Gain on disposal over opening value from the portfolio	4.6	43
Gain arising from the portfolio	**10.6**	**100**

Loss on disposal of listed investment funds	(0.2)	
Valuation movement from the investment portfolio	**10.4**	
Deferred consideration from prior year realisation	0.1	
Gain arising from the investment portfolio	**10.5**	

Of the £10.6 million gain from the portfolio in the year, £4.6 million arose from investments which were realised, including Displayplan (£1.7 million), Macro Art (£0.9 million), the partial realisation of KeTech (£0.9 million), and E2E (£0.8 million). Further details can be found in the Chair's Statement and note 7 to the financial statements.

The ongoing portfolio delivered a net value gain of £6.0 million in the year, which arose across a range of companies, including Unbiased, Matillion, SharpCloud, Traveltek and Vypr.

Some decreases in value have been seen, notably Outpost, Relative Insight and Wooshii; as with all portfolio companies, the Manager continues to work closely with the companies' management teams to aid their progress and growth.

Other Significant Investment Movements

Investments

During the year ended 31 March 2024, the Company invested £9.1 million across 8 companies.

Two new companies were added to the portfolio, receiving aggregate investment of £4.9 million; while a further £4.2 million was invested across six existing portfolio companies. The analysis of these investments is shown in Table C.

Table C

Investments

Company	Investments made		
	New £million	Follow-on £million	Total £million
Workbuzz	2.6	-	2.6
GEEIQ	2.3	-	2.3
Outpost	-	1.3	1.3
Relative Insight	-	1.2	1.2
Force24	-	0.7	0.7
Vuealta	-	0.5	0.5
Elucidat	-	0.3	0.3
SharpCloud	-	0.2	0.2
Portfolio	**4.9**	**4.2**	**9.1**
Listed investment funds			0.3
Total additions in the year			**9.4**

Disposal of Investments

As set out in Table D below, during the year to 31 March 2024 the Company received proceeds from disposals of £20.7 million, a net gain of £4.5 million over the opening carrying value at the beginning of the year, and an overall net gain of £10.5 million over cost. This included the successful realisations of Displayplan, E2E, Macro Art, Ncam and KeTech (partial). Further details are given in the Chair's statement above.

Table D

Disposal of Investments

	Net proceeds from sale of investments £million	Opening value 31 March 2023 £million	Gain/(loss) on opening value £million
Portfolio	16.5	11.9	4.6
Deferred consideration	0.1	-	0.1
Listed investment funds*	4.1	4.3	(0.2)
Total investment disposals	**20.7**	**16.2**	**4.5**

* opening value includes additions of £0.3 million made during the year.

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

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

Investment Portfolio Composition

As at 31 March 2024, the portfolio was valued at £126.6 million, comprising wholly of unquoted investments. An analysis of the movements in the year is shown below.

The portfolio has 25 investments valued above £1.0 million, with the single largest investment, Matillion, representing 12.5 per cent of the NAV.

The charts on pages 15 and 16 of the annual report show the diversity of the portfolio, split by industry sector, investment instrument, age of investment, and the valuation compared to cost.

Under VCT legislation, it is not possible to deposit funds for longer than seven days, which means that cash deposits must be available on very short notice. The Company takes an active approach to cash management, whilst pursuing its primary aim of capital preservation. This is effected through the use of a pool of money market funds (which can be converted back to cash with immediate notice) and cash deposits held with tier one banking institutions. £2.8 million of income was earned from money market funds and bank deposits during the year. At 31 March 2024, the Company was achieving a weighted average return on liquid assets of 4.8 per cent.

During the year, the Company realised its small diversified quoted portfolio of listed investment funds, managed by Brewin Dolphin, held as part of its previous treasury operations. This sale generated proceeds of £4.1 million.

Valuation Policy

Unquoted investments are valued in accordance with both IFRS 13 'Fair Value Measurement' and International Private Equity and Venture Capital Guidelines, December 2022 edition (IPEV Guidelines).

Initially, at the first quarter-end following investment, investments are valued at the price of the funding round; following this, the valuation switches to a new primary basis for all subsequent periods.

The valuation methodology applied depends upon the facts and circumstances of each individual investment. This may be with reference to revenue multiples, earnings multiples, net assets, discounted cash flows or calibrated from the price of the most recent investment.

The full valuation policy is set out in note 1 on pages 66 and 67 of the annual report.

Table E shows the value of investments within each valuation category as at 31 March 2024; no investments are valued using discounted cash flow methodologies.

With continued investment in earlier stage businesses that are investing for growth, the majority of valuations continue to be based on revenue multiples.

Table E
Valuation Policy

	Valuation £million	**2024 % of portfolio by value**	2023 % of portfolio by value
Revenue multiple	114.6	91	79
Earnings multiple	9.2	7	13
Net assets, reviewed for change in fair value	2.5	2	2
Cost or price of recent investment, reviewed for change in fair value	0.3	-	4
Sale proceeds	-	-	2
Total	**126.6**	**100**	**100**

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

Whilst not Impact investors, the Company backs small UK businesses to help them to grow and produce strong financial returns for shareholders with the additional aim of building better businesses that are ultimately more sustainable.

In order to deliver more sustainable businesses, and to meet its commitments under the United Nation's Principles for Responsible Investment (PRI), the Manager has continued to develop its processes in this area.

The Manager's approach is based on the belief that good businesses:

- Grow our economy;
- Improve our society;
- Value their people; and
- Protect the environment.

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

Sustainable Investment Principles

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

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

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

The Manager has developed and integrated the following ESG management processes:

Pre-investment Phase:

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

Portfolio Phase:

For those investments made since 2020, based on the data collected at the point of investment at the start of the portfolio phase, bespoke areas for improvement are agreed with each management team together with consequent objectives and targets. A similar process has been applied to the significant majority of investments made prior to 2020. Improvements are then measured and recorded against a set of ESG criteria using the Manager's bespoke ESG framework, refreshing targets annually and placing focus on any new issues as they become more material in the management of the company and in meeting the expectations of its stakeholders.

Reporting:

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

Note that Investment Companies are not within scope for reporting under the Task Force on Climate-Related Financial Disclosures (TCFD); and the Company does not use more than 40,000kWh of energy and therefore is not required to report on its energy usage within Streamlined Energy and Carbon Reporting regulations.

ESG Performance Data and Reporting

ESG KPI data analysis

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

Annual company specific ESG performance progress report

The annual data collection allows a detailed report to be prepared on each company's progress across a broad range of ESG KPI's. As well as using this for portfolio reporting to investors it is used as an engagement tool with the senior management teams of each company, allowing the Manager to identify and agree programmes of action with each business

2023 ESG KPI Report for Investments held in YFM's VCT funds

Growing our economy

- £74 million of R&D investment during 2023
- £115 million of export sales achieved in 2023
- 750 new jobs were created from date of investment to 2023 representing a 50 per cent increase

Improving our society

- 95 per cent of companies were independently chaired in 2023
- 45 per cent of companies had female directors on boards, with 15 per cent having a female CEO/MD
- 65 per cent of businesses had a designated board member with responsibility for improving ESG issues

Valuing our people

- 35 per cent of the portfolio workforce was female in 2023
- 60 per cent had mental wellbeing programmes in place and 80 per cent held regular employee engagement surveys
- 43,000 hours of non-statutory training was given to employees

Protecting our environment

- 20 per cent formally measure their carbon footprint
- 10 per cent offset all or a defined portion of their carbon impact
- 15 per cent formally set a target date and strategy for achieving net zero carbon emissions

Summary and Outlook

The portfolio continues to deliver good underlying revenue growth, while also demonstrating good levels of capital efficiency over the past 12 months. Portfolio companies continue to navigate difficult macroeconomic conditions well, with the portfolio well placed to benefit from a hoped for improvement in the economic environment in 2024.

We continue to see a good pipeline of potential investments in a range of growth companies, as well as opportunities to further support the continued growth of the current portfolio. We thank investors for their continuing support in the Company's 2023/24 fundraising, and are looking forward to putting the funds raised to work.

Eamon Nolan
YFM Private Equity Limited
14 June 2024

Portfolio Summary at 31 March 2024

Name of company	Date of initial investment	Location	Industry Sector	Amount invested £000	Valuation at 31 March 2024 £000	Recognised income/ proceeds to date £000	Realised & unrealised value to date* £000
Matillion Limited	Nov-16	Manchester	Data	2,666	27,415	7,071	34,486
Unbiased EC1 Limited	Dec-19	London	Tech-enabled Services	5,596	12,829	-	12,829
Outpost VFX Limited	Feb-21	Bournemouth	New Media	5,750	9,518	53	9,571
Elucidat Ltd	May-19	Brighton	Application Software	4,260	5,933	347	6,280
Force24 Ltd	Nov-20	Leeds	Application Software	3,900	5,835	41	5,876
SharpCloud Software Limited	Oct-19	London	Data	3,577	5,375	-	5,375
Vypr Validation Technologies Limited	Jan-21	Manchester	Tech-enabled Services	3,300	5,317	-	5,317
ACC Aviation Group Limited	Nov-14	Reigate	Business Services	2,068	4,725	5,280	10,005
Wooshii Limited	May-19	London	New Media	4,644	4,151	683	4,834
Quality Clouds Limited	May-22	London	Cloud & DevOps	3,916	4,019	-	4,019

DrDoctor (via ICNH Ltd)	Feb-23	London	Application Software	3,565	3,565	-	3,565
Workbuzz Analytics Limited	Jun-23	Nottingham	Tech-enabled Services	2,577	3,447	-	3,447
Traveltek Group Holdings Limited	Oct-16	East Kilbride	Application Software	1,716	3,401	975	4,376
AutomatePro Limited	Dec-22	London	Cloud & DevOps	2,225	3,229	-	3,229
Tonkotsu Limited	Jun-19	London	Retail & Brands	2,388	3,090	-	3,090
GEEIQ (via Checkpoint GG Limited)	Sep-23	London	Data	2,358	2,827	-	2,827
Vuealta Holdings Limited	Sep-21	London	Tech-enabled Services	3,580	2,459	4,619	7,078
Summize Limited	Oct-22	Manchester	Application Software	1,800	2,421	-	2,421
Frescobol Carioca Ltd	Mar-19	London	Retail & Brands	1,800	2,072	-	2,072
Plandek Limited	Oct-22	London	Cloud & DevOps	2,070	2,070	-	2,070
Xapien (via Digital Insight Technologies Ltd)	Mar-23	London	Application Software	1,740	2,014	-	2,014
Biorelate Limited	Nov-22	Manchester	Application Software	1,560	1,691	-	1,691
Panintelligence (via Paninsight Limited)	Nov-19	Leeds	Data	1,500	1,606	-	1,606
Relative Insight Limited	Mar-22	Lancaster	Tech-enabled Services	4,200	1,598	-	1,598
KeTech Technology Holdings Limited	Nov-15	Nottingham	Tech-enabled Services	2,000	1,176	4,059	5,235
Arcus Global Limited	May-18	Cambridge	Application Software	3,075	952	332	1,284
Sipsynergy (via Hosted Network Services Limited)	Jun-16	Hampshire	Cloud & DevOps	2,654	848	1	849
Other investments £0.75 million and below				8,077	3,009	6,807	9,816
Total unquoted investments				**88,562**	**126,592**	**30,268**	**156,860**
Full disposals to date				80,135	-	167,596	167,596
Total portfolio				**168,697**	**126,592**	**197,864**	**324,456**

* represents recognised income and proceeds received to date plus the unrealised valuation at 31 March 2024.

Summary of Portfolio Movement since 31 March 2023

Name of Company	Investment valuation at 31 March 2023 £000	Disposal proceeds £000	Additions including capitalised income £000	Valuation gains including profits (losses) on disposal £000	Investment valuation at 31 March 2024 £000
Unbiased EC1 Limited	9,976	-	-	2,853	12,829
Matillion Limited	25,193	-	-	2,222	27,415
SharpCloud Software Limited	3,404	-	170	1,801	5,375
Displayplan Holdings Limited	7,901	(9,636)	-	1,735	-
Traveltek Group Holdings Limited	2,049	-	-	1,352	3,401
Vypr Validation Technologies Limited	4,051	-	-	1,266	5,317
Arcus Global Limited	239	(300)	-	1,013	952
MacroArt Holdings Limited	558	(1,484)	-	926	-
Workbuzz Analytics Limited	-	-	2,577	870	3,447
KeTech Holdings Limited/KeTech Technology Holdings Limited	1,786	(1,461)	-	851	1,176
E2E Engineering Limited	1,200	(1,960)	-	760	-
AutomatePro Limited	2,557	-	-	672	3,229
Other investments £0.75 million and below	2,346	-	-	663	3,009
Summize Limited	1,885	-	-	536	2,421
GEEIQ (via Checkpoint GG Limited)	-	-	2,358	469	2,827
Tonkotsu Limited	2,666	-	-	424	3,090
Force24 Ltd	4,757	-	750	328	5,835
Xapien (via Digital Insight Technologies Ltd)	1,740	-	-	274	2,014
Biorelate Limited	1,570	-	-	121	1,691
Panintelligence (via Paninsight Limited)	1,500	-	-	106	1,606
Frescobol Carioca Ltd	1,995	-	-	77	2,072
Ncam Technologies Limited	1,659	(1,682)	-	23	-

DrDoctor (via ICNH Ltd)	3,565	-	-	-	3,565
Plandek Limited	2,070	-	-	-	2,070
Quality Clouds Limited	4,074	-	-	(55)	4,019
Vuealta Holdings Limited/Vuealta Group Limited	2,126	-	535	(202)	2,459
Sipsynergy (via Hosted Network Services Limited)	1,464	-	-	(616)	848
Elucidat Ltd	6,277	-	300	(644)	5,933
ACC Aviation Group Limited	5,398	-	-	(673)	4,725
Outpost VFX Limited	9,420	-	1,250	(1,152)	9,518
Relative Insight Limited	2,794	-	1,200	(2,396)	1,598
Wooshii Limited	7,141	-	-	(2,990)	4,151
Total portfolio	**123,361**	**(16,523)**	**9,140**	**10,614**	**126,592**
Deferred consideration*	-	(96)	-	96	-
Total	**123,361**	**(16,619)**	**9,140**	**10,710**	**126,592**
Accrued income					**2,070**
Financial assets - investments					**128,662**

* Wakefield Acoustics (trading as Malvar Engineering Limited), see note 7.

Risk Factors

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

The Board seeks to mitigate its emerging and principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board rigorously applies the principles detailed in section 8: "Audit, Risk and Internal Control" of the AIC Code. Details of the Company's internal controls are contained in the Corporate Governance Internal Control section on pages 47 and 48 of the annual report and further information on exposure to risks, including those associated with financial instruments, can be found in note 16 of the financial statements.

The Board carries out a regular review of the risk environment in which the Company operates, together with changes to the operational environment. The Board also seeks to identify emerging risks which might impact on the Company. In the period the most notable emerging risks have been:

- Geopolitical instability: geopolitical tensions, such as the conflicts in the Middle East and Ukraine can create uncertainty, disrupt global markets and create market volatility.
- Global trade: ongoing global trade tensions between major economies have the potential to disrupt global supply chains which could cause a slowdown in economic activity.
- Rising interest rates: whilst interest rates appear to be stabilising, higher interest rates can increase borrowing costs for businesses and consumers, potentially leading to reduced spending and investment, and ultimately economic growth.

The principal risks the Company faces are considered in more detail below.

VCT Qualifying Status:

Risk - A failure to meet the VCT qualifying criteria could result in the loss of approved VCT status. The loss of such approval could lead to investors losing the various tax benefits associated with VCT investments.

Mitigation - The Manager tracks the Company's VCT qualifying status on an ongoing and continual basis. Furthermore, external independent experts have been retained and report on the VCT qualifying status regularly throughout the year.

The Manager reports to the Board on a quarterly basis.

Further information on these requirements can be found under the heading "Compliance with VCT Legislative Tests" above.

Change - No overall change in risk exposure.

Economic:

Risk - Macroeconomic events such as geopolitical developments, external shocks and economic recession could adversely affect smaller companies' valuations, as they may be more vulnerable to changes in trading conditions or the sectors in which they operate. This could lead to a reduction in the Company's share price, resulting in capital losses for Shareholders.

Mitigation - The Board, in conjunction with the Manager, regularly assesses the resilience of the portfolio. The Company has a clear Investment Policy (summarised above) and invests in a diverse portfolio of companies across a range of sectors, which helps to mitigate against the impact on any one sector. The Manager also seeks to maintain adequate liquidity to ensure it can provide follow-on investment to those portfolio companies which require funding when supported by the individual investment case.

Change - Increased. Growing international tensions with the potential to deter investment, disrupt markets and re-awaken inflationary pressures.

Investment Performance:

Risk - The Company invests in small and medium-sized VCT qualifying companies, which, by their nature, entail a higher level of risk and shorter cash runway than investments in larger quoted companies. Poor performance could reduce returns for shareholders through downward valuations.

Mitigation - The Board comprises individuals experienced in assessing suitable investment opportunities. The Manager has significant experience, expertise and a strong track record of investing in early-stage unquoted companies. The Manager has a rigorous and robust formal process in selecting new companies which includes appropriate due diligence and approval by an Investment Committee made up of the senior members of the Manager's investment team.

Change - No overall change in risk exposure.

Strategy:

Risk - The Board fails to set appropriate strategic objectives and fails to monitor the Company's implementation of the strategy, which leads to poor performance.

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. It also reviews compliance of the Manager with the stated investment strategy.

Change - No overall change in risk exposure.

Legislative & Regulatory:

Risk - The Company fails to comply with applicable laws and regulations including VCT Rules, UK Listing Authority Rules, AIC Code on Corporate Governance, Stewardship Code, Companies Act, Bribery Act, Market Abuse Regulations, data protection rules, Criminal Finances Act and relevant Taxes Acts and as a result loses its approval as a VCT.

Changes to the UK legislation, in particular relating to the VCT Rules, could have an adverse effect on the Company's ability to achieve satisfactory investment returns.

Mitigation - The Manager ensures that it has suitably qualified members of staff who are experienced with regulatory requirements and relevant accounting standards. The Manager and the Company Secretary have procedures in place to ensure recurring Listing Rules requirements are met.

The Board and Manager review corporate governance, regulatory legislative change and political developments on a continual basis and seek additional advice as and when required.

The Manager is a member of the Venture Capital Trust Association which engages with the Government to help shape future legislation.

Change - No overall change in risk exposure. Albeit a slight reduction in this risk, as result of the ten year extension of the VCT legislation sunset clause to 6 April 2035, continuing shareholders' rights to Income Tax relief on newly issued shares. The extension has been agreed by HMRC, however this needs to be ratified by the EU.

Operational:

Risk - Key service providers, such as the Manager, have inadequate procedures for the identification, evaluation and management of risks putting the Company's assets and data at risk.

Mitigation - The Board regularly reviews the system of internal controls, both financial and non-financial operated by the Company and the Manager. These include controls designed to ensure that the Company's assets are safeguarded and proper accounting records are maintained.

Change - No overall change in risk exposure.

Cyber Security and Information Technology:

Risk - A failure in IT systems and controls might lead to business interruption, loss of data, the inability of the Manager to provide accurate reporting and monitoring or the loss of Company records.

Mitigation - The Manager has in place significant cybersecurity controls, including multifactor authentication, email protection software, monitored firewalls and regularly updated electronic devices. Staff at the Manager regularly receive training in relation to their cybersecurity obligations. The Manager is Cyber Essentials Plus certified.

Due diligence is conducted on other service providers, including a review on their controls for information security.

Change - No overall change on balance, although cyber threat remains a significant risk area faced by all service providers, with ever increasing sophistication of attacks.

Liquidity:

Risk -

a. The Company may not have sufficient liquidity available to meet its financial obligations.

b. The VCT invests in smaller unquoted companies, which by their nature are illiquid, therefore they may be difficult to realise, at fair market value, at short notice

Mitigation - The Company's overall liquidity risks and cashflow forecasts are monitored on an ongoing basis by the Manager and on a quarterly basis by the Board.

The Company's valuation methodology takes account of potential liquidity restrictions in the markets in which it invests.

For any publicly listed investments, accounting standards require an ongoing assessment of the liquidity of the stock.

the stock.

The Manager regularly reviews its exit plans for investee companies to allow it to identify the optimal point at which to seek a sale. As part of a planned exit, the assistance of a third party adviser will normally be sought, with a view to identifying the largest number of possible purchasers.

Change - Increased. A small increase to reflect the potential impacts of economic uncertainty, including the impacts on fundraising and ability to exit investments.

Other Matters

Section 172 Statement

This Section 172 Statement should be read in conjunction with the other contents of the Strategic Report, on pages 5 to 35 of the annual report.

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

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

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

Key Stakeholders

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

Investors

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

The Company encourages shareholders to attend its Annual General Meeting.

Along with British Smaller Companies VCT2 plc, the Company held two Investor Workshops during the year. An in-person workshop was held on 20 June 2023 and an online webinar was hosted on 27 November 2023. Both were well attended.

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

The Board also aims for investors to continue to have tax efficient opportunities to invest in the Company, and to generate tax-free returns from both capital appreciation and ongoing dividends.

After carefully considering its funding needs, on 20 September 2023 the Company issued a prospectus, alongside British Smaller Companies VCT2 plc, to raise up to £90 million in aggregate for the 2023/24 tax year.

During the year the Board kept its arrangements for dividends, share buy-backs and the dividend re-investment scheme under constant review. Normal dividends totalling 4.0 pence per ordinary share were paid in the year ended 31 March 2024.

Manager

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

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

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

Portfolio Companies

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

The Manager has a dedicated Portfolio team to assist the portfolio companies with the challenges that they face as fast-growing companies. The Manager promotes ongoing sustainable growth within the businesses; this often involves improving systems and processes, as well as significant job creation.

Employees

The Company has no employees. The Board is composed of four non-executive directors. For a review of the policies used when appointing directors to the Board of the Company, please refer to the Directors' Remuneration Report.

Environment and Community

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

More details of the work that the Manager has achieved in this area are set out above. Its Sustainable Investment Policy can be found at www.yfmep.com/who-we-are/our_impact/.

Business Conduct

The Company has a zero tolerance approach to bribery and corruption. The following is a summary of the controls in place:

- The Company conducts all 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 Company prohibits the offering, the giving, the solicitation or the acceptance of any bribe;
- The Company has communicated its Anti-Bribery & Corruption Policy to the Manager and its other service providers; and
- The Manager has its own Anti-Bribery & Corruption and Anti-Slavery Policies and monitors portfolio companies' compliance with their legal obligations.

Rupert Cook
Chair
14 June 2024

Statement of Comprehensive Income
For the year ended 31 March 2024

	Notes		**2024**			2023	
		Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Gains on investments held at fair value	7	**-**	**6,045**	**6,045**	-	8,152	8,152
Gain on disposal of investments	7	**-**	**4,475**	**4,475**	-	5,213	5,213
Gain arising from the investment portfolio		**-**	**10,520**	**10,520**	-	13,365	13,365
Income	2	**4,045**	**-**	**4,045**	1,994	-	1,994
Total income		**4,045**	**10,520**	**14,565**	1,994	13,365	15,359

Administrative expenses:							
Manager's fee		**(795)**	**(2,384)**	**(3,179)**	(696)	(2,086)	(2,782)
Incentive fee		**-**	**-**	**-**	-	(125)	(125)
Other expenses		**(768)**	**-**	**(768)**	(215)	-	(215)
	3	**(1,563)**	**(2,384)**	**(3,947)**	(911)	(2,211)	(3,122)
Profit before taxation		**2,482**	**8,136**	**10,618**	1,083	11,154	12,237
Taxation	4	**-**	**-**	**-**	-	-	-
Profit for the year		**2,482**	**8,136**	**10,618**	1,083	11,154	12,237
Total comprehensive income for the year		**2,482**	**8,136**	**10,618**	1,083	11,154	12,237
Basic and diluted earnings per ordinary share	6	**1.01p**	**3.33p**	**4.34p**	0.58p	5.96p	6.54p

The notes on pages 65 to 91 of the annual report are an integral part of the financial statements.

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with UK adopted international accounting standards. The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in July 2022 - "SORP") published by the AIC.

Balance Sheet
At 31 March 2024

	Notes	**2024 £000**	2023 £000
ASSETS			
Non-current assets at fair value through profit and loss			
Financial assets at fair value through profit or loss	7	**128,662**	127,406
Accrued income and other assets		**-**	1,556
		128,662	128,962
Current assets			
Accrued income and other assets		**1,382**	161
Current asset investments		**53,500**	7,501
Cash at bank		**36,304**	20,766
		91,186	28,428
LIABILITIES			
Current liabilities			
Trade and other payables		**(248)**	(358)
Net current assets		**90,938**	28,070
Net assets		**219,600**	157,032
Shareholders' equity			
Share capital		**28,830**	20,969
Share premium account		**58,293**	1,700
Capital reserve		**79,171**	82,893
Investment holding gains and losses reserve		**49,207**	49,215
Revenue reserve		**4,099**	2,255
Total shareholders' equity		**219,600**	157,032
Net asset value per ordinary share	8	**83.6p**	83.7p

The notes on pages 65 to 91 of the annual report are an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 14 June 2024.

Rupert Cook
Chair

Statement of Changes in Equity
For the year ended 31 March 2024

	Share capital	Share premium account	Capital reserve	Investment holding gains and losses reserve	Revenue reserve	Total equity

	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022	**20,510**	**62,123**	**33,620**	**41,982**	**1,299**	**159,534**
Revenue return for the year	-	-	-	-	1,083	1,083
Expenses charged to capital	-	-	(2,211)	-	-	(2,211)
Investment holding gain on investments held at fair value	-	-	-	8,152	-	8,152
Realisation of investments in the year	-	-	5,213	-	-	5,213
Total comprehensive income for the year	-	-	3,002	8,152	1,083	12,237
Issue of shares - DRIS	459	3,245	-	-	-	3,704
Issue costs *	-	(62)	-	-	-	(62)
Share premium cancellation	-	(63,606)	63,606	-	-	-
Purchase of own shares	-	-	(2,497)	-	-	(2,497)
Dividends	-	-	(15,757)	-	(127)	(15,884)
Total transactions with owners	459	(60,423)	45,352	-	(127)	(14,739)
Realisation of prior year investment holding gains	-	-	919	(919)	-	-
Balance at 31 March 2023	**20,969**	**1,700**	**82,893**	**49,215**	**2,255**	**157,032**
Revenue return for the year	-	-	-	-	2,482	2,482
Expenses charged to capital	-	-	(2,384)	-	-	(2,384)
Investment holding gain on investments held at fair value	-	-	-	6,045	-	6,045
Realisation of investments in the year	-	-	4,475	-	-	4,475
Total comprehensive income for the year	-	-	2,091	6,045	2,482	10,618
Issue of share capital	7,612	57,237	-	-	-	64,849
Issue of shares - DRIS	249	1,769	-	-	-	2,018
Issue costs *	-	(2,413)	-	-	-	(2,413)
Purchase of own shares	-	-	(2,869)	-	-	(2,869)
Dividends	-	-	(8,997)	-	(638)	(9,635)
Total transactions with owners	7,861	56,593	(11,866)	-	(638)	51,950
Realisation of prior year investment holding gains	-	-	6,053	(6,053)	-	-
Balance at 31 March 2024	**28,830**	**58,293**	**79,171**	**49,207**	**4,099**	**219,600**

The notes on pages 65 to 91 of the annual report are an integral part of the financial statements.

Reserves available for distribution

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

	Capital reserve	Revenue reserve	Total
	£000	£000	£000
Distributable reserves as shown above	79,171	4,099	83,270
Income/proceeds not yet distributable	(1,003)	(2,131)	(3,134)
Cancelled share premium not yet distributable	(33,612)	-	(33,612)
Reserves available for distribution**	**44,556**	**1,968**	**46,524**

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

** Following the circulation of the Annual Report to shareholders.

The capital reserve and revenue reserve are both distributable reserves. The reserves total £83,270,000, representing a decrease of £1,878,000 during the year. The directors also take into account the level of the investment holding gains and losses reserve and the future requirements of the Company when determining the level of dividend payments.

Of the potentially distributable reserves of £83,270,000 shown above, £3,134,000 relates to income and proceeds not yet distributable and £33,612,000 relates to cancelled share premium which will become distributable from the dates shown in the table below.

Following shareholder approval at the 2022 Annual General Meeting, in October 2022 the Company cancelled the balance of its Share Premium, £63,606,000, of which £29,994,000 is now distributable. The remaining share premium cancelled will be available for distribution from the following dates:

	£000
1 April 2025	32,128
1 April 2026	1,484
Cancelled share premium not yet distributable	**33,612**

Statement of Cash Flows

For the year ended 31 March 2024

	Notes	2024 £000	2023 £000
Net cash outflow from operating activities		**(744)**	(2,277)
Cash flows generated from (used in) investing activities			
Cash maturing from fixed term deposits		**-**	6,970
Purchase of financial assets at fair value through profit or loss	7	**(9,390)**	(28,832)
Proceeds from sale of financial assets at fair value through profit or loss	7	**19,625**	20,716
Deferred consideration	7	**96**	-
Net cash inflow (outflow) from investing activities		**10,331**	(1,146)
Cash flows from (used in) financing activities			
Issue of ordinary shares		**64,849**	-
Costs of ordinary share issues*		**(2,413)**	(62)
Purchase of own ordinary shares		**(2,869)**	(2,497)
Dividends paid	5	**(7,617)**	(12,180)
Net cash inflow (outflow) from financing activities		**51,950**	(14,739)
Net increase (decrease) in cash and cash equivalents		**61,537**	(18,162)
Cash and cash equivalents at the beginning of the year		**28,267**	46,429
Cash and cash equivalents at the end of the year		**89,804**	28,267

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

Cash and cash equivalents comprise	2024 £000	2023 £000
Money market funds	**53,500**	7,501
Cash at bank	**36,304**	20,766
Cash and cash equivalents at the end of the year	**89,804**	28,267

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

	2024 £000	2023 £000
Profit before taxation*	**10,618**	12,237
Decrease in trade and other payables	**(110)**	(429)
Increase in accrued income and other assets	**(732)**	(660)
Gain on disposal of investments	**(4,475)**	(5,213)
Gains on investments held at fair value	**(6,045)**	(8,152)
Capitalised income	**-**	(60)
Net cash outflow from operating activities	**(744)**	(2,277)

* Includes cash inflow from dividends of £341,000 (2023: £1,117,000) and interest of £2,899,000 (2023: £700,000).

The notes on pages 65 to 91 of the annual report are an integral part of the financial statements.

Notes to the Financial Statements

1. Principal Accounting Policies

Basis of Preparation

The accounts have been prepared on a going concern basis as set out in the Directors Report on pages 37 and 38 of the annual report and in accordance with UK adopted international accounting standards.

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

The Company has a significant level of liquidity, which was enhanced by the final allotment of the 2023/24

The Company has a significant level of liquidity, which was enhanced by the final allotment of the 2023/24 fundraising post-year-end, in April 2024. In addition, the Board has control over, and can flex as appropriate, the Company's major outgoings, which predominantly comprise investments, dividends and share buy-backs.

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

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

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

The accounts have been prepared in compliance with the recommendations set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies (issued in July 2022 - "SORP") to the extent that they do not conflict with UK adopted international accounting standards.

The financial statements are prepared in accordance with UK adopted international accounting standards (International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS")) and interpretations in force at the reporting date. From 1 January 2023 IAS 1 has been amended introducing the concept Material Accounting Policy Information. The Company has performed a review of its existing accounting policies and updated where relevant. Other new standards coming into force during the year and future standards that come into effect after the year-end have not had a material impact on these financial statements.

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

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

Financial Assets held at Fair Value through Profit or Loss - Investments

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

All investments are measured at fair value on the whole unit of account basis with gains and losses arising from changes in fair value being included in the Statement of Comprehensive Income as gains or losses on investments held at fair value. Accrued income on loans/preference shares that is rolled to exit and is not past due, forms part of the investment's fair value.

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

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

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

Due to the above factors, the Company has applied the IFRS 10 investment entity consolidation exemption and has not prepared consolidated financial statements.

Valuation of Investments

Unquoted investments are valued in accordance with IFRS 13 "Fair Value Measurement" and using the International Private Equity and Venture Capital Valuation Guidelines ("the IPEV Guidelines") updated in December 2022. Quoted investments are valued at market bid prices. A detailed explanation of the valuation policies of the Company is included below.

Initial Measurement

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

Subsequent Measurement

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

Unquoted Investments

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

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

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

Listed Investment Funds

Listed investment funds are valued at active market bid price. An active market is defined as one where transactions take place regularly with sufficient volume and frequency to determine price on an ongoing basis. There were no listed investment funds held at 31 March 2024.

Income

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

Expenses

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

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

Incentive Fee

The incentive fee is accounted for on an accruals basis. As further detailed in note 3, a performance incentive fee is payable to the Manager subject to the Company achieving both a target level of Total Return (the "Total Return Hurdle") and dividends ("Dividend Hurdle"). Subject to meeting the Total Return Hurdle, the Manager will receive an amount equivalent to 20 per cent of the amount by which dividends paid per share exceeds the Dividend Hurdle, multiplied by the number of shares in issue at the year end. The incentive fee in any financial year will be subject to a cap if the excess of dividends paid over the Dividend Hurdle is greater than the sum of the excess of the Total Return over the Total Return Hurdle divided by 1.2. At the end of each reporting period, an accrual is recognised based upon the dividends paid during the financial year to date and the Total Return at the end of the reporting period. The incentive fee is charged wholly through the Capital column.

Cash, Cash Equivalents and Current Asset Investments

Cash at bank comprises cash at hand and bank deposits with an original maturity of less than three months, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Current asset investments comprise money market funds.

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

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

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

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

Share Capital and Reserves

Share Capital

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

Share Premium Account

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

Capital Reserve

The following are included within this reserve:

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

Investment Holding Gains and Losses Reserve

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

Revenue Reserve

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

Taxation

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

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

Dividends Payable

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

Segmental Reporting

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

Critical Accounting Estimates and Judgements

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

note 7 to the financial statements.

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

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

2. Income

	2024	2023
	£000	£000
Dividends from unquoted companies	**907**	1,102
Interest on loans to unquoted companies	**218**	263
Income from unquoted portfolio	**1,125**	1,365
Income from listed investment funds	**97**	300
Income from investments held at fair value through profit or loss	**1,222**	1,665
Interest from bank deposits/money market funds	**2,823**	329
	4,045	1,994

3. Administrative Expenses

	2024	2023
	£000	£000
Manager's fee	**3,179**	2,782
Administration fee	**85**	75
Total payable	**3,264**	2,857
Incentive fee	**-**	125
Other expenses:		
Trail commission paid to financial intermediaries	**142**	92
Directors' remuneration	**138**	141
General expenses	**136**	149
Listing and registrar fees	**89**	80
Auditor's remuneration - audit of the financial statements (excluding irrecoverable VAT)	**66**	64
Printing	**60**	51
Irrecoverable VAT	**52**	46
	3,947	3,605
Fair value movement related to credit risk	**-**	(483)
	3,947	3,122
Ongoing charges figure	**1.85%**	2.12%

Directors' remuneration comprises only short-term benefits including social security contributions of £12,000 (2023: £13,000).

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

No fees are payable to the auditor in respect of other services (2023: £nil).

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

The key features of the IA are:

- YFM Private Equity Limited receives a Manager's fee, calculated at half-yearly intervals as at 31 March and 30 September, at the rate of 2.0 per cent of gross assets less current liabilities. The fee is allocated between capital and revenue as described in note 1. The fee is payable quarterly in advance;
- With effect from 1 April 2019 the annual fee payable to the Manager is 1.0 per cent on all surplus cash, defined as all cash above £7.5 million. The annual fee on all other assets will be 2.0 per cent of net assets per annum. Based on the Company's net assets at 31 March 2024 of £219,600,000 and cash and cash equivalents of £89,804,000 at that date, this equates to approximately £3,569,000 per annum;
- Under the IA YFM Private Equity Limited also provides administrative and secretarial services to the

Company for a fee of £35,000 per annum (at 28 February 1996) plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged fully to revenue, and totalled £85,000 for the year ended 31 March 2024 (2023: £75,000); and

- YFM Private Equity Limited shall bear the annual operating costs of the Company (including the fees set out above but excluding any payment of the performance incentive fee, details of which are set out below and excluding VAT and trail commissions payable to financial intermediaries) to the extent that those costs exceed 2.9 per cent of the net asset value of the Company. The excess expenses during the year payable to the Company from YFM Private Equity Limited amounted to £nil (2023: £nil).

When the Company makes investments into its unquoted portfolio the Manager charges that investee an advisory fee or arrangement fee, calculated by applying a percentage to the investment amount. The Company and the Manager have agreed that, if the average of the relevant fees during the Company's financial year exceeds 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on holdings this excess will be rebated to the Company. As at 31 March 2024, the Company was due a rebate from the Manager of £nil (2023: £1,320).

The total remuneration payable to YFM Private Equity Limited under the IA in the period was £3,264,000 (2023: £2,857,000).

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

Under the IA, YFM Private Equity Limited is entitled to receive fees from investee companies in respect of the provision of non-executive directors and other advisory services. YFM Private Equity Limited is responsible for paying the due diligence and other costs incurred in connection with proposed investments which for whatever reason do not proceed to completion. In the year ended 31 March 2024 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £1,535,000 (2023: £1,355,000).

A performance incentive fee is payable to the Manager subject to the Company achieving both a target level of Total Return (the "Total Return Hurdle") and dividends ("Dividend Hurdle"). Subject to meeting the Total Return Hurdle, the Manager will receive an amount equivalent to 20 per cent of the amount by which dividends paid per share exceeds the Dividend Hurdle, multiplied by the number of shares in issue at the year end. The incentive fee in any financial year will be subject to a cap if the excess of dividends paid over the Dividend Hurdle is greater than the sum of the excess of the Total Return over the Total Return Hurdle divided by 1.2. With effect from 31 March 2019 the Total Return Hurdle was 228.6 pence per share and the annual increase is equivalent to 4.0 pence per share, as increased or decreased by the percentage increase or decrease (if any) in RPI from 1 April 2009. For the year ended 31 March 2024 the annual increase in the Total Return Hurdle was 7.0 pence per share.

The Dividend Hurdle was 4.0 pence per share (increasing in line with RPI) from 1 April 2009. For the year ended 31 March 2024 the Dividend Hurdle was 7.0 pence per share.

The incentive fees payable for the years ended 31 March 2024 and 31 March 2023 were calculated as follows:

	2024	2023
Total Return Hurdle (p)	**265.50**	258.20
Actual Total Return per Share before incentive fee (p)	**262.50**	258.60
(Shortfall) Excess over Total Return Hurdle (p)	**(3.00)**	0.40
Dividend Hurdle (p)	**7.00**	6.10
Actual Dividends per share (p)	**4.00**	8.50
(Shortfall) Excess over Dividend Hurdle (p)	**(3.00)**	2.40
Lower excess of the two hurdles (p)	-	0.40
Fee impact reduction (divide by 1.2) (p)	-	0.333
Performance fee per share at 20% of adjusted excess (p)	-	0.067
Number of shares in issue ('000)	**262,659**	187,679
Incentive fee payable (£'000)	-	125

The Total Return Hurdle for the year ending 31 March 2025 is 272.75 pence per share. The Dividend Hurdle is 7.25 pence per share.

If the annual incentive fee exceeds £5.0 million then the excess is deferred until following the next year's Annual General Meeting. Payment of the remainder is made five Business Days after the relevant Annual General Meeting at which the audited accounts are presented to shareholders.

The amount of the incentive payment paid to the Manager for any one year shall, when taken with all other relevant costs, ensure that the Company's total costs in a single year do not exceed 5 per cent of net assets. Any excess over the 5 per cent is carried forward to be included in the calculation of the amount that can be paid in future years. Except with shareholder approval the maximum fee payable in any 12 month period will not exceed £7.5 million.

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

Under the terms of the offer launched with British Smaller Companies VCT2 plc on 30 November 2022, YFM Private Equity Limited was entitled to 3.0 per cent of gross subscriptions, (3.5 per cent for Applications received from Applicants who did not invest their money through a financial intermediary advisor and invested directly into the Company) less commissions payable to an execution-only broker or platform. The net amount paid to YFM Private Equity Limited under this offer amounted to £1,383,000.

Under the terms of the offer launched with British Smaller Companies VCT2 plc on 20 September 2023, YFM Private Equity Limited was entitled to 3.0 per cent of gross subscriptions, (3.5 per cent for Applications received from Applicants who did not invest their money through a financial intermediary advisor and invested directly into the Company) less commissions payable to an execution-only broker or platform. The net amount paid to YFM Private Equity Limited under this offer amounted to £1,645,000.

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 50 of the annual report under the heading "Directors' Remuneration for the year ended 31 March 2024 (audited)".

4. Taxation

		2024			2023	
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Profit before taxation	**2,482**	**8,136**	**10,618**	1,083	11,154	12,237
Profit before taxation multiplied by standard rate of corporation tax in UK of 19% (2023: 19%)	**471**	**1,546**	**2,017**	206	2,119	2,325
Effect of:						
UK dividends received	**(172)**	**-**	**(172)**	(297)	-	(297)
Non-taxable profits on investments	**-**	**(1,999)**	**(1,999)**	-	(2,539)	(2,539)
Deferred tax not recognised	**(299)**	**453**	**154**	91	420	511
Tax charge	**-**	**-**	**-**	-	-	-

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

Deferred tax assets of £4.98 million (2023: £4.75 million) calculated at 25% (2023: 25%) in respect of unrelieved management expenses (£19.93 million as at 31 March 2024 and £19.01 million as at 31 March 2023) 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 period to 31 March:

	2024			2023		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Interim dividend for the year ended 31 March 2024 of 2.0p (2023: 2.0p) per ordinary share	**638**	**4,178**	**4,816**	-	3,725	3,725
Second interim dividend for the year ended 31 March 2024 of 2.0p (2023: 2.0p) per ordinary share	**-**	**4,819**	**4,819**	-	3,736	3,736
Third interim dividend for the year ended 31 March 2023 of 4.5p per ordinary share	**-**	**-**	**-**	127	8,296	8,423
	638	**8,997**	**9,635**	127	15,757	15,884
Shares allotted under DRIS			**(2,018)**			(3,704)
Dividends paid in Statement of Cash Flows			**7,617**			12,180

The first interim dividend of 2.0 pence per ordinary share was paid on 28 July 2023 to shareholders on the register as at 30 June 2023.

The second interim dividend of 2.0 pence per ordinary share was paid on 8 December 2023 to shareholders on the register as at 10 November 2023.

An interim dividend of 2.0 pence per ordinary share, in respect of the year ending 31 March 2025, will be paid on 26 July 2024 to shareholders on the register on 28 June 2024. This dividend was not recognised in the year ended 31 March 2024 as the obligation did not exist at the balance sheet date.

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 £10,618,000 (2023: £12,237,000) and 244,463,235 (2023: 187,113,203) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue earnings per ordinary share is based on the revenue profit for the year attributable to shareholders of £2,482,000 (2023: £1,083,000) and 244,463,235 (2023: 187,113,203) 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 £8,136,000 (2023: £11,154,000) and 244,463,235 (2023: 187,113,203) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 2,490,239 new ordinary shares in respect of its DRIS and 76,120,499 new ordinary shares from its fundraising.

The Company has also repurchased 3,630,656 of its own shares in the year, and these shares are held in the capital reserve. The total of 25,638,421 treasury shares has been excluded in calculating the weighted average number of ordinary shares for the period. The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per ordinary share are the same.

The Company has no potentially dilutive shares and consequently, basic and diluted earnings per ordinary share are equivalent in both the year ended 31 March 2024 and 31 March 2023.

7. Financial Assets at Fair Value through Profit or Loss - Investments

	2024 £000	2023 £000
Investment portfolio	**126,592**	127,406
Accrued income and other assets*	**2,070**	-
Financial assets at fair value through profit and loss	**128,662**	127,406

* Relates to accrued income which is not past due which has been disclosed as part of the investment value. Prior year income was not included as it was not material.

IFRS 13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. An active market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1 and comprise fixed income securities classified as held at fair value through profit or loss. The Company held no such investments at 31 March 2024.

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

Level 3: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as revenue and earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. All of the Company's investments fall into this category at 31 March 2024.

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

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

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

Valuation of Investments

Full details of the methods used by the Company are set out in note 1. Where investments are held in listed investment funds, fair value is set at the market bid price.

Movements in investments at fair value through profit or loss during the year to 31 March 2024 are summarised as follows:

IFRS 13 measurement classification	Level 3 Unquoted Investments	Level 1 Listed Investment Funds	Total Investments
	£000	£000	£000
Opening cost	73,515	4,676	78,191
Opening investment holding gain (loss)	49,846	(631)	49,215
Opening fair value at 1 April 2023	**123,361**	**4,045**	**127,406**
Additions at cost	9,140	250	9,390
Disposal proceeds	(16,523)	(4,105)	(20,628)
Net profit (loss) on disposal*	4,569	(190)	4,379
Change in fair value	6,561	-	6,561
Foreign exchange loss	(516)	-	(516)
Closing fair value at 31 March 2024	**126,592**	**-**	**126,592**
Closing cost	77,385	-	77,385
Closing investment holding gain	49,207	-	49,207
Closing fair value at 31 March 2024	**126,592**	**-**	**126,592**

* The net profit on disposal in the table above is £4,379,000 whereas that shown in the Statement of Comprehensive Income is £4,475,000. The difference comprises the change in the value of deferred proceeds totalling £96,000 in respect of assets which have been disposed of and are not included within the investment portfolio at 1 April 2023.

There were no individual reductions in fair value during the year that exceeded 5 per cent of the total assets of the Company (2023: £nil).

The following disposals took place in the year:

	Net proceeds from sale	Cost	Opening carrying value as at 1 April 2023	Profit (loss) on disposal
	£000	£000	£000	£000
Unquoted investments:				
Displayplan Holdings Limited	9,636	130	7,901	1,735
E2E Engineering Limited	1,960	900	1,200	760
Ncam Technologies Limited	1,682	2,512	1,659	23
Macro Art Holdings Limited	1,484	481	558	926
KeTech Holdings Limited*	1,461	-	593	868
Arcus Global Limited*	300	1,245	43	257
Total from portfolio	**16,523**	**5,268**	**11,954**	**4,569**
Wakefield Acoustics (via Malvar Engineering Limited)	96	-	-	96
Deferred consideration	**96**	**-**	**-**	**96**
Listed investment funds**	4,105	4,928	4,295	(190)
Total from investment portfolio* **	**20,724**	**10,196**	**16,249**	**4,475**

* Partial realisation.

** Opening value includes further investments made during the year.

*** The total from disposals in the year in the table above is £20,724,000 whereas that shown in the Statement of Cash flows is £19,721,000. The difference comprises deferred proceeds of £1,003,000 which will be received in subsequent years.

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 £219,600,000 (2023: £157,032,000) and 262,659,361 (2023: 187,679,279) ordinary shares in issue at the year end.

The treasury shares have been excluded in calculating the number of ordinary shares in issue at 31 March 2024.

The Company has no potentially dilutive shares and consequently, basic and diluted net asset values per ordinary share are equivalent in both the years ended 31 March 2024 and 31 March 2023.

9. Total Return per Ordinary Share

The Total Return per ordinary share is calculated on cumulative dividends paid of 178.9 pence per ordinary share (2023: 174.9 pence per ordinary share) plus the net asset value as calculated per note 8.

10. Financial Commitments

There are no financial commitments at 31 March 2024 or 31 March 2023.

11. Events after the Balance Sheet Date

On 3 April 2024 the Company allotted the final shares from its fully subscribed 2023/24 share offer. Gross proceeds of £36.8 million were raised, resulting in the issue of 42,588,037 ordinary shares. This increased the number of ordinary shares issued with voting rights to 305,247,398.

Subsequent to the year end, £4.7 million has been invested into two new investments, Fuuse and Ohalo.

12. Related Party Transactions

Fees payable during the year to the directors and their interests in the shares of the Company are disclosed within the Directors' Remuneration Report on page 50 of the annual report. There were no amounts outstanding and due to the directors at 31 March 2024 (2023: £nil).

13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 March 2024 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at https://data.fca.org.uk/#/nsm/nationalstoragemechanism. They can also shortly be viewed on the Company's website at www.bscfunds.com. Hard copies of the statutory accounts for the year to 31 March 2024 will be distributed by post or electronically to shareholders and will thereafter be available to members of the public from the Company's registered office.

14. Directors

The directors of the Company are Mr R Cook, Mr A C N Bastin, Mr J H Cartwright and Ms P Sapre.

15. Annual General Meeting

The Annual General Meeting of the Company will be held at 9:30 am on 10 September 2024 at Thomas House, 84 Ecclestone Square, London SW1V 1PX. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 92 of the annual report.

16. Interim Dividend for the Year Ending 31 March 2025

The directors are pleased to announce the payment of an interim dividend for the year ending 31 March 2025 of 2.0 pence per ordinary share ("Interim Dividend").

The Interim Dividend will be paid on 26 July 2024 to those shareholders on the Company's register at the close of business on 28 June 2024. The ex-dividend date will be 27 June 2024.

The directors are not proposing a final dividend for the year ended 31 March 2024.

17. Dividend Re-investment Scheme

The Company operates a dividend re-investment scheme ("DRIS"). The latest date for receipt of new or updated DRIS elections in respect of the Interim Dividend is the close of business on 12 July 2024.

18. Inside Information

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

For further information, please contact:

Dan Perkins	YFM Private Equity Limited	Tel: 0113 244 1000
Alex Collins	Panmure Gordon (UK) Limited	Tel: 0207 886 2767