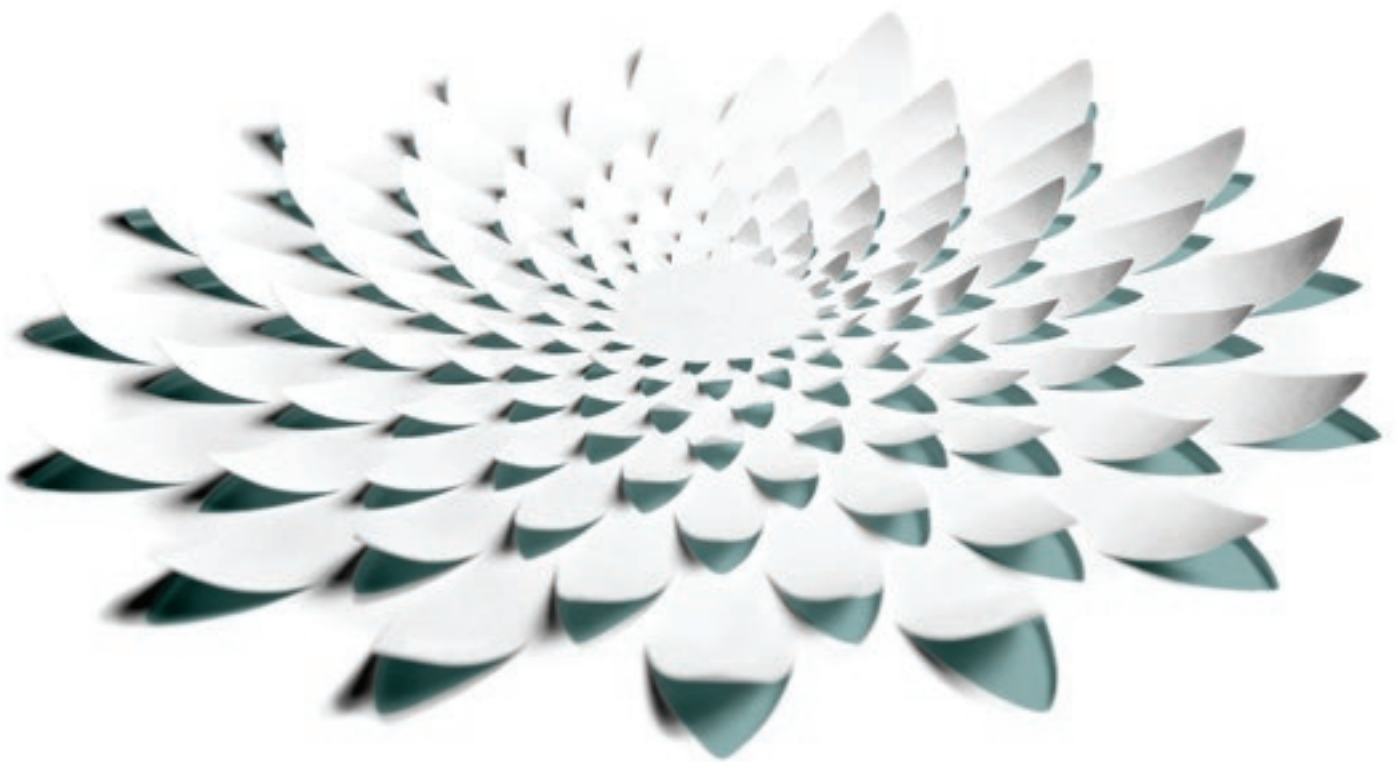


pembroke  
VCT plc



ANNUAL REPORT  
AND FINANCIAL STATEMENTS

for the year ended 31 March 2015



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# Financial Summary and Investment Objective

## Financial Summary

	Year ended 31.03.15 Ordinary shares	Period ended 31.03.15* B Ordinary shares	Year ended 31.03.15 Total	Period ended 31.03.14 Ordinary shares/Total
Net assets	£18,857,630	£1,938,412	£20,796,042	£18,240,318
Number of shares in issue	18,141,202	1,979,400	20,120,602	18,141,202
Net asset value per share	103.95p	97.93p	103.36p	100.55p
Investment income	£496,083	–	£496,083	£158,421
<b>Profit on ordinary activities before tax</b>				
Revenue	£166,938	£(745)	£166,193	£(32,589)
Capital	£994,610	£(655)	£993,955	£503,688
<b>Total</b>	<b>£1,161,548</b>	<b>£(1,400)</b>	<b>£1,160,148</b>	<b>£471,099</b>
<b>Return per share</b>				
Revenue	0.92p	(0.04)p	n/a	(0.24)p
Capital	5.48p	(0.03)p	n/a	3.73p
<b>Total</b>	<b>6.40p</b>	<b>(0.07)p</b>	<b>n/a</b>	<b>3.49p</b>

\*Figures for B Ordinary shares reflect the period from the date of first allotment (19 March 2015) to 31 March 2015.

## Investment Objective

Pembroke VCT plc (the “Company”) is a generalist VCT focused on private equity style investments in the leisure and luxury brands sectors.

The Company invests in a diversified portfolio of small, principally unquoted companies, and selects those which Oakley Investment Managers LLP (the “Investment Adviser”) believes will provide an opportunity for value appreciation.

The Board of Directors of the Company (the “Board”) believes that the Company can benefit from leveraging the previous sector experience of the Investment Adviser and also that there are likely to be synergistic advantages from grouping similar businesses. Consequently, most investments fall within one of four sectors:

- Health and Fitness
- Hospitality
- Apparel and Accessories
- Media and Technology

# Chairman's Statement

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I am pleased to present my report for the year ended 31 March 2015.

We are now effectively fully invested from our first Ordinary share offer, having invested £15.5 million in 21 companies. Following the success of our first offer, we launched a new B Ordinary share offer in October 2014. We raised £5.8 million from existing and new investors alike and the offer closed to new applications on 29 July 2015.

During the period the Total Return (net asset value ("NAV") plus cumulative dividends paid) of the Company has risen from 100.55p per share at 31 March 2014 to 103.36p per share at 31 March 2015.

## Investment Overview

During the year we have made five new investments (Sourced Market, Bella Freud Perfume, Penfield, Blaze and Stillking Films) and eleven further investments in our portfolio companies (Boom Cycle, Dilly & Wolf, La Bottega, Troubadour Goods, the premium fast-food restaurant chain, Chucs Bar & Grill, Bella Freud, Plenish, Chucs, Kat Maconie and Chilango). There have been a number of revaluations across the portfolio with the overall impact resulting in an 11% increase of total value of investments (including rolled up income) from £15.9 million to £17.7 million. For further details please see the Investment Adviser's Review and Investment Portfolio on pages 8 to 11.

## Dividends

In September 2014 the Company paid an interim dividend of 3.0p per share. The Board now recommends that the shareholders approve, at the forthcoming Annual General Meeting, the payment of a further dividend of 0.6p per Ordinary share.

## Results

The Company made a profit of £1.2 million in the year to 31 March 2015, representing a weighted profit per Ordinary share of 6.40p. The weighted loss per B Ordinary share during the period from the first issue was (0.07)p. Income arose from the unrealised revaluation of investments of £1.1 million and interest income, principally from loan notes provided to a number of the portfolio companies, of £0.5 million. This was offset by Company expenses and Investment Adviser fees amounting, in total, to £0.4 million. Total expenses in the Company (including Investment Adviser fees) are capped at 0.5% of NAV per quarter.

NAV at 31 March 2015 was £20.8 million, equivalent to 103.36p per share. This includes the cost to NAV of the issue costs of the offer, which were fixed at 2% of the gross proceeds raised.

## Outlook

Funds raised from the B Ordinary share offer will enable the Investment Adviser to continue investing in high quality opportunities and selected follow-on opportunities from the existing share portfolio. At present the Management team are evaluating a number of new companies, replicating the consumer focused strategy used by the Ordinary share fund.

## Annual General Meeting

The AGM will be held at Oakley Capital Management's offices at 3 Cadogan Gate, London SW1X 0AS on 24 September 2015 at 11.00 am.

Jonathan Djanogly  
Chairman

30 July 2015



## The Board

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### Jonathan Djanogly

*Independent non-executive Chairman*

Jonathan is a solicitor and was, for over ten years, a corporate partner at City law firm SJ Berwin LLP. He specialised in mergers and acquisitions, private equity and joint ventures as well as fund raising on public markets. Jonathan has been a Member of Parliament since 2001, in which capacity he served for approximately four years as a Member of the Trade and Industry Select Committee. Between 2005 and 2010, he also served on the Opposition front bench as shadow Solicitor General and as a shadow Minister for Trade and Industry with responsibility for employment law and corporate governance. From 2010 Jonathan served as a Justice Minister for over two years and since 2012 he has been a consultant at international law firm, King & Wood Mallesons LLP.

### Laurence Blackall

*Independent non-executive Director*

Laurence has thirty years' experience in the information, media and communication industries, pioneering electronic publishing (especially at McGraw Hill where he was a vice-president) and the internet in the United Kingdom. He has proven expertise in establishing internet companies and developing them through to public offering and subsequent sale. He holds directorships in a number of public and private companies, and is a Governor of Kingston University. Laurence is a resident of the United Kingdom.

### Peter Dubens

*Non-independent non-executive Director*

Peter is the founder and Managing Partner of the Oakley Capital Group, a privately owned asset management and advisory group comprising Private Equity, Venture Capital, Corporate Finance and Capital Introduction operations managing over US\$1.1 billion. Peter founded Oakley Capital in 2002 to be a best of breed entrepreneurially driven UK investment house, creating an ecosystem that supports the companies Oakley Capital invests in whether they are early stage companies or established businesses. Peter is the Managing Partner of Oakley Capital Limited, the investment adviser to Fund I and Fund II. Since 2002 Oakley Capital has sold 11 businesses for a combined value of over £1 billion.

# Investments



# Investment Adviser's Review

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## Overview

The Company has made five new investments and 11 follow-on investments in the year to 31 March 2015 in a diverse group of companies focusing on the health and fitness, hospitality, apparel and accessories, and media and technology sectors. At the year end, the portfolio comprised 21 investments with a cost of £15.9 million and a fair value of £17.7 million representing an 11.3% increase over cost.

## Portfolio Review

In total, the Company has invested £3.3 million in the five new investments, and has invested a further £2.6 million in both debt and equity in the 11 follow-on investments. The five new investments are in the following companies: Sourced Market, Penfield, Blaze, Bella Freud Perfume and Stillking Films. All of these companies were unquoted and investments are made in new ordinary equity with full voting rights or in the form of a qualifying loan. The 11 follow-on investments comprise seven

relating to original drawdown commitments in Boom Cycle, Dilly & Wolf, La Bottega, Troubadour Goods, the premium fast-food restaurant chain, Chucs Bar & Grill and Bella Freud and four further investments in Plenish, Chucs, Kat Maconie and Chilango.

Since the year end the Company has made investments totalling £2.2 million in twelve companies with one new investment of £0.2 million, and eleven follow-on investments of £2.0 million.

The new investment of £0.2 million was made by the B Ordinary share fund in Cheekfrills, a London based underwear brand that focuses on comfort with sustainably sourced materials. Currently the brand is stocked in leading international retailers including Selfridges, Saks, Barneys, Fenwick and Galeries Lafayette. The B Ordinary share fund also invested £1.6 million in existing portfolio companies including Second Home (£0.2 million), Penfield (£0.2 million), Boat International (£0.5 million), Chucs (£0.1 million), Chucs Bar & Grill (£0.1 million), Plenish (£0.2 million), Bella Freud (£0.1 million) and Dilly & Wolf

(£0.1 million). The remaining follow-on investments of £0.4 million were made from the Ordinary share fund in Rated People (£0.1 million), Penfield (£0.1 million), Bella Freud (£0.1 million) and Bella Freud Perfume (£0.1 million), of which £0.3 million was part of original commitments.

## Investment Performance

Companies that have performed particularly well during the period and resulted in upward valuations include Plenish, which continued to show strong growth of 209% year-on-year in 2014, with 2015 continuing on the same growth trajectory. The premium fast-food restaurant chain has performed exceptionally well, with continued roll-out across the UK ending with 23 sites at the end of our financial year, accounting for the value uplift attached to the equity portion of the loan note which was previously held at its nominal value. Bella Freud (retail) has outperformed budget and continues to see growing orders from existing and new global retailers, with plans to open their first flag-ship store at the end of the year.





# Investment Adviser's Review

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continued

Due to their trading performance, we have also assessed the fair value of KX Gym and Sourced Market to be higher than cost. Additionally, several of our portfolio investments have had further funding rounds conducted at a premium to the previous price, and consequently have been revalued upwards: Chilango, Chucs Bar & Grill, Second Home, Kat Maconie, and Zenos Cars.

Conversely, Chucs has had a challenging year, with the new range failing to gain material traction in the wholesale market in 2014. As such, the investment has been written down to nominal value, and is to be re-capitalised with funds from a new experienced management team, who are currently re-designing the Spring/Summer 2016 range. Also, La Bottega which operates in the casual dining sector, is facing increasing competition from new operators with some stores performing below budget. New funding rounds have also been conducted at a discount in both Rated People and Penfield due to underperformance.

Seven investments are held at cost (Bella Freud Perfume, Dilly & Wolf, Boom Cycle, Boat International Media, Troubadour Goods, Blaze and Stillking Films), which we consider to be fair value, given that those investments were made within the past two years and no evidence of significant movement from the original investment appraisal has been observed. Further details may be found in the Investment Portfolio and Investment Review on pages 10 to 21.

## Valuation

Investments held by the Company have been valued in accordance with the International Private Equity and Venture Capital (IPEVC) valuation guidelines developed by the British Venture Capital Association and other organisations. Through these guidelines, investments are valued as defined at 'fair value'. Ordinarily, unquoted investments will be valued at cost for a limited period following the date of acquisition, being the most suitable approximation of fair value unless there is an impairment or significant accretion in value during the period. The portfolio valuations are prepared by the Investment Adviser, reviewed and approved by the Board and subject to audit annually.

In determining fair value, the Investment Adviser uses various valuation approaches, including a combination of the price of recent investment and market approach. The market approach ascribes a value to a business interest or shareholding by comparing it to similar businesses, using the principle of substitution: that is, that a prudent purchaser would pay no more for an asset than it would cost to acquire a substitute asset with the same utility and income earning potential.



# Investment Portfolio

as at 31 March 2015

Ordinary shares	As at 31.03.15			As at 31.03.14		
	Cost £	Fair value £	% of net assets	Cost £	Fair value £	% of net assets
<b>Health and Fitness</b>						
Boom Cycle	388,562	388,562	2.1	257,820	257,820	1.4
KX Gym	700,000	724,027	3.8	700,000	1,085,499	5.9
Plenish	325,000	594,413	3.2	225,000	302,533	1.7
Dilly & Wolf	170,000	170,000	0.9	120,000	120,000	0.7
<b>Hospitality</b>						
Chilango	549,850	695,040	3.7	449,850	595,040	3.3
Premium fast-food restaurant chain	1,512,800	3,025,203	16.0	471,200	471,200	2.6
La Bottega	1,960,000	1,393,249	7.4	1,690,000	1,690,000	9.3
Chucs Bar & Grill	614,278	822,221	4.4	264,278	264,278	1.4
Second Home	525,074	833,349	4.4	525,074	525,074	2.9
Sourced Market	830,000	1,032,205	5.5	–	–	–
<b>Apparel and Accessories</b>						
Kat Maconie	420,000	840,955	4.5	320,000	320,000	1.7
Troubadour Goods	590,000	590,000	3.1	440,000	440,000	2.4
Bella Freud	350,000	685,356	3.6	250,000	250,000	1.4
Chucs	990,039	340,000	1.8	790,039	790,039	4.3
Bella Freud Perfume	140,000	140,000	0.7	–	–	–
Penfield	364,400	291,564	1.6	–	–	–
<b>Media and Technology</b>						
Boat International Media	2,100,000	2,100,000	11.1	2,100,000	2,100,000	11.5
Rated People	489,978	44,030	0.2	489,978	489,978	2.7
Zenos Cars	500,000	550,550	2.9	500,000	500,000	2.7
Blaze	490,000	490,000	2.6	–	–	–
Stillking Films	1,451,770	1,451,770	7.7	–	–	–
Investments before interest	15,461,751	17,202,494	91.2	9,593,239	10,201,461	55.9
Interest rolled up in fixed income investments*	483,881	483,881	2.6	150,280	150,280	0.8
Total investments	15,945,632	17,686,375	93.8	9,743,519	10,351,741	56.7
Net current assets	1,171,255	1,171,255	6.2	7,888,577	7,888,577	43.3
Net assets	17,116,887	18,857,630	100.0	17,632,096	18,240,318	100.0

\*Added to investments in Financial Statements

# Investment Portfolio

as at 31 March 2015 continued

B Ordinary shares	As at 31.03.15			As at 31.03.14		
	Cost £	Fair value £	% of net assets	Cost £	Fair value £	% of net assets
Net current assets	1,938,412	1,938,412	100.0	–	–	–
Net assets	1,938,412	1,938,412	100.0	–	–	–

## Segment analysis

The charts below show the segment analyses of the investment portfolio based on cost at 31 March 2015.

Total investments: £15.5 million



- 37% Early stage (£5,692,257)
- 63% Late stage (£9,769,494)

Total investments by industry group



- 8% Health and Fitness
- 39% Hospitality
- 21% Apparel and Accessories
- 32% Media and Technology

# Investment Review

as at 31 March 2015

## Health and Fitness

### Boom Cycle

Boom Cycle is an indoor cycling concept which offers a fun, high intensity cardiovascular workout. The business currently has two studios based in Shoreditch and Holborn where they combine indoor spin cycling with various exercise classes for both upper and lower body work-outs. Boom Cycle is one of the first dedicated spinning studios in London, and it has the potential to replicate the success of some larger players in the US.

Cost	£388,562
Valuation	£388,562
Basis of valuation	Cost
Equity holding	27.2%
Investment in the year at cost	£130,742
Income accrued in the year	£nil

### KX Gym

KX Gym, founded in 2002, is a private members' gym and spa, which includes a restaurant and clubroom, located in Chelsea, London. KX offers members an exclusive holistic approach to wellbeing, incorporating fitness, diet and relaxation. Their strategy is to retain exclusivity (minimal volume growth, modest membership fee increase), increase secondary spend (restaurant, spa, personal training), and to continue to build the KX brand to offer other associated products (e.g. KX Urban).

Cost	£700,000
Valuation	£724,027
Basis of valuation	EBITDA multiple
Equity holding	11.8%
Investment in the year at cost	£nil
Income accrued in the year	£nil

Year to 31.12.14: **Revenue** £9.5m | **Profit before tax** £0.1m | **Net assets** £6.0m

### Plenish

Plenish, founded in 2012, is one of the leading cold-pressed juicing businesses in the UK, offering 100% raw organic (unpasteurised) juice. Cold-press juicing is a convenient way to pack a large amount of vegetables and fruit into your diet. The company offers both a full body cleanse package and off-the-shelf juice bottles (250ml). The company is currently selling via two main channels: online and through select retailers (e.g. Ocado, Selfridges, Planet Organic, Harvey Nichols). Cold-press juicing is in its early stages in the UK, and therefore represents an attractive growth opportunity.

Cost	£325,000
Valuation	£594,413
Basis of valuation	Sales multiple
Equity holding	28.7%
Investment in the year at cost	£100,000
Income accrued in the year	£1,710

### Dilly & Wolf

Founded in 2013, Dilly & Wolf is a new premium snack brand. The company produces tasty and nourishing food using globally inspired recipes such as kabuki beans, quinoa and fava beans. Their flagship products are stocked in multiple retailers including Ocado and Natural Kitchen, with plans to extend the range to a large multiple in October 2015. The snack market in the UK is competitive, however the company believes there is an opportunity to launch a wholesome and nutritious snack brand which competes at a premium level.

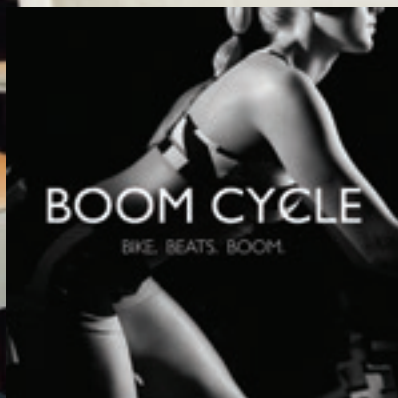
Cost	£170,000
Valuation	£170,000
Basis of valuation	Cost
Equity holding	21.3%
Investment in the year at cost	£50,000
Income accrued in the year	£2,334

*Note: Where a company's financial information – revenue, profit before tax and net assets – is audited and available, it has been provided in this review.*

# Investment Review

continued

main pic: KX Gym



Boom Cycle



Plenish



Dilly & Wolf

# Investment Review

continued

## Hospitality

### Chilango

Chilango is a fast-casual Mexican restaurant chain concept based on successful US business models. There are currently eight restaurants in London: Upper Street, Fleet Street, Chancery Lane, London Wall, Brushfield Street, Monument, Camden and Leather Lane.

Cost	£549,850
Valuation	£695,040
Basis of valuation	Price of recent investment
Equity holding	3.0%
Investment in the year at cost	£100,000
Income accrued in the year	£nil

### Premium fast-food restaurant chain

The company serves a range of hand-made burgers made with fresh locally sourced beef, cooked on a grill, along with fresh-cut fries cooked in pure peanut oil, served with unlimited toppings. Currently there are 23 restaurants across the UK with several more in the pipeline.

Cost	£1,512,800
Valuation	£3,025,203
Basis of valuation	Sales multiple
Equity holding	4.2%
Investment in the year at cost	£1,041,600
Income accrued in the year	£118,070

### La Bottega

La Bottega is a chain of Italian delicatessens in London, which serves high-quality authentic Italian food and coffee. The food is sourced either locally (cold meats, pastries, drinks and other grocery items) or direct from Italy. Currently there are six shops trading in London in Chelsea, Belgravia, South Kensington, Ryder Street, Monmouth Street and Pont Street.

Cost	£1,960,000
Valuation	£1,393,249
Basis of valuation	Sales multiple
Equity holding	40.0%
Investment in the year at cost	£270,000
Income accrued in the year	£164,918

### Chucs Bar & Grill

Chucs Bar & Grill is a restaurant which reflects the same style and branding of the Chucs retail brand. The first restaurant is located on Dover Street in Mayfair, next door to the Chucs retail store, which opened in 2014. Further sites in London have been identified and are planned to open in 2015 / 2016 under the Chucs brand.

Cost	£614,278
Valuation	£822,221
Basis of valuation	Price of recent investment
Equity holding	31.5%
Investment in the year at cost	£350,000
Income accrued in the year	£37,338

# Investment Review

continued

main pic: Chucs Bar & Grill



Chilango



Premium fast-food restaurant chain



La Bottega

# Investment Review

continued

## Second Home

Second Home offers flexible and modern office space for fast-growing technology firms and creative businesses. Combining architectural design with first class amenities, Second Home provides users with a unique and impressive office environment in which to locate their business for the short, medium and long term. Their first site in Hanbury Street in East London is at full capacity, and the team are looking at new potential locations in London for their second site.

Cost	£525,074
Valuation	£833,349
Basis of valuation	Price of recent investment
Equity holding	4.4%
Investment in the year at cost	£nil
Income accrued in the year	£nil

## Sourced Market

Sourced Market, launched in 2007, is a retail, café and restaurant concept that offers a curated selection of locally sourced fresh produce replicating the products and ambience found at a farmers market. Sourced Market works with a number of independent producers providing a curated selection of locally sourced fresh artisan produce such as ready-made meals, pies, salads, food platters as well as a wine and craft beer selection. The company's flagship site is in St Pancras International in King's Cross with two further sites secured for 2015 / 2016.

Cost	£830,000
Valuation	£1,032,205
Basis of valuation	Sales multiple
Equity holding	20.7%
Investment in the year at cost	£830,000
Income accrued in the year	£nil

## Apparel and Accessories

### Kat Maconie

Kat Maconie, founded in 2008, designs and manufactures ladies' shoes which are sold online, in department stores and in boutiques globally. In 2014, the company signed an exclusive license in China whereby nine own-brand stores / concessions have been opened to date, with plans for further international licensing agreements in the pipeline.

Cost	£420,000
Valuation	£840,955
Basis of valuation	Price of recent investment
Equity holding	32.0%
Investment in the year at cost	£100,000
Income accrued in the year	£2,137

### Troubadour Goods

Troubadour Goods is a London-based luxury men's accessories brand specialising in designing and creating superior handcrafted leather goods. Troubadour features a line of leather pieces ranging from a wallet to a weekend bag. The products are available at the brand's e-commerce website and at multiple international retailers and boutiques.

Cost	£590,000
Valuation	£590,000
Basis of valuation	Cost
Equity holding	44.3%
Investment in the year at cost	£150,000
Income accrued in the year	£nil



# Investment Review

continued

*main pic: Second Home*



*Troubadour*



*Sourced Market*



*Kat Maconie*

## Investment Review

continued

### Bella Freud

Bella Freud is a fashion designer and manufacturer producing a range of high-end men's and women's clothing, focusing on knitwear. Currently her products are available at her own e-commerce site and through a range of luxury boutiques and department stores in the UK, Asia and the US. The company has secured their first retail location in London with plans to open the flag-ship store by the end of the year.

Cost	£350,000
Valuation	£685,356
Basis of valuation	Sales multiple
Equity holding	27.8%
Investment in the year at cost	£100,000
Income accrued in the year	£2,975

### Chucs

Chucs is a luxury brand of men's leisure wear. The apparel is currently sold predominantly through their retail store on Dover Street, London and through a number of select stockists. The new range will be launched for Spring/Summer 2016 with classic pieces for men showcasing the high quality fabrics and craftsmanship of the brand.

Cost	£990,039
Valuation	£340,000
Basis of valuation	Price of recent investment
Equity holding	33.6%
Investment in the year at cost	£200,000
Income accrued in the year	£88,830

### Bella Freud Perfume

Continuing on from the success of her fashion brand, Bella Freud, in cooperation with perfumer Azzi Glasser, has launched a series of fragrances with three scents blending modernity and heritage: Je t'aime Jane, Ginsberg is God and the 1970. Bella Freud Perfume is now stocked in a range of boutiques and department stores globally.

Cost	£140,000
Valuation	£140,000
Basis of valuation	Cost
Equity holding	30%
Investment in the year at cost	£140,000
Income accrued in the year	£2,071

### Penfield

Penfield is an outdoor clothing brand, founded in 1975 in Hudson Massachusetts. The brand's range now consists of highest-quality down-filled jackets, fleece, anoraks, t-shirts, shorts and accessories for both men and women. Penfield products can be purchased online and in over 30 countries globally in a range of large retailers (e.g. Urban Outfitters, J Crew, Size).

Cost	£364,400
Valuation	£291,564
Basis of valuation	Price of recent investment
Equity holding	5.7%
Investment in the year at cost	£364,400
Income accrued in the year	£14,466

Year to 31.12.13: Revenue £10.1m | Profit before tax £0.4m | Net assets £1.7m

# Investment Review

continued

main pic: Penfield



Bella Freud



Chucs



Bella Freud Perfume

# Investment Review

continued

## Media and Technology

### Boat International Media

Recognised as the world's leading media group serving the superyacht industry, Boat International Media provides information and services across traditional print, digital media and high quality events. Since the management buy-out, the team has relaunched the new Boat International and Show Boats magazines and launched the new website.

Year to 31.12.14: **Revenue** £10.8m | **Profit before tax** £2.3m | **Net assets** £9.8m

Cost	£2,100,000
Valuation	£2,100,000
Basis of valuation	Cost
Equity holding	21.0%
Investment in the year at cost	£nil
Income accrued in the year	£48,001

### Rated People

Rated People, founded in 2005, is one of the UK's leading online market places for homeowners to find tradesmen for home improvement jobs. The platform has around 24,000 tradesmen throughout the UK, for which over 380,000 ratings have been provided by homeowners who have used them.

Year to 31.12.13: **Revenue** £12.1m | **Loss before tax** £5.0m | **Net liabilities** £9.7m

Cost	£489,978
Valuation	£44,030
Basis of valuation	Price of recent investment
Equity holding	3%
Investment in the year at cost	£nil
Income accrued in the year	£nil

### Zenos Cars

Zenos Cars has created lightweight sports cars that provide thrilling driveability and performance at an affordable price point. Zenos is led by Ansar Ali and Mark Edwards, previously chief executive officer and chief operating officer respectively of Caterham cars. The first E10 sports car has successfully been produced and received excellent reviews from relevant automobile publications, with deliveries taking place in the second half of 2015.

Cost	£500,000
Valuation	£550,550
Basis of valuation	Price of recent investment
Equity holding	13.2%
Investment in the year at cost	£nil
Income accrued in the year	£nil

### Blaze

Blaze designs products which enhance bike safety. Their flagship product is the Blaze Laserlight, which is the world's first and patented bike laserlight. It projects a laser image five to six meters on the ground ahead of the cyclist to let other road users know that you are there. It tackles the number one cause of accidents with bikes: the blindspot. A new product is due to be launched in 2016 with further commercial partnerships in the pipeline.

Cost	£490,000
Valuation	£490,000
Basis of valuation	Cost
Equity holding	8.2%
Investment in the year at cost	£490,000
Income accrued in the year	£nil

### Stilking Films

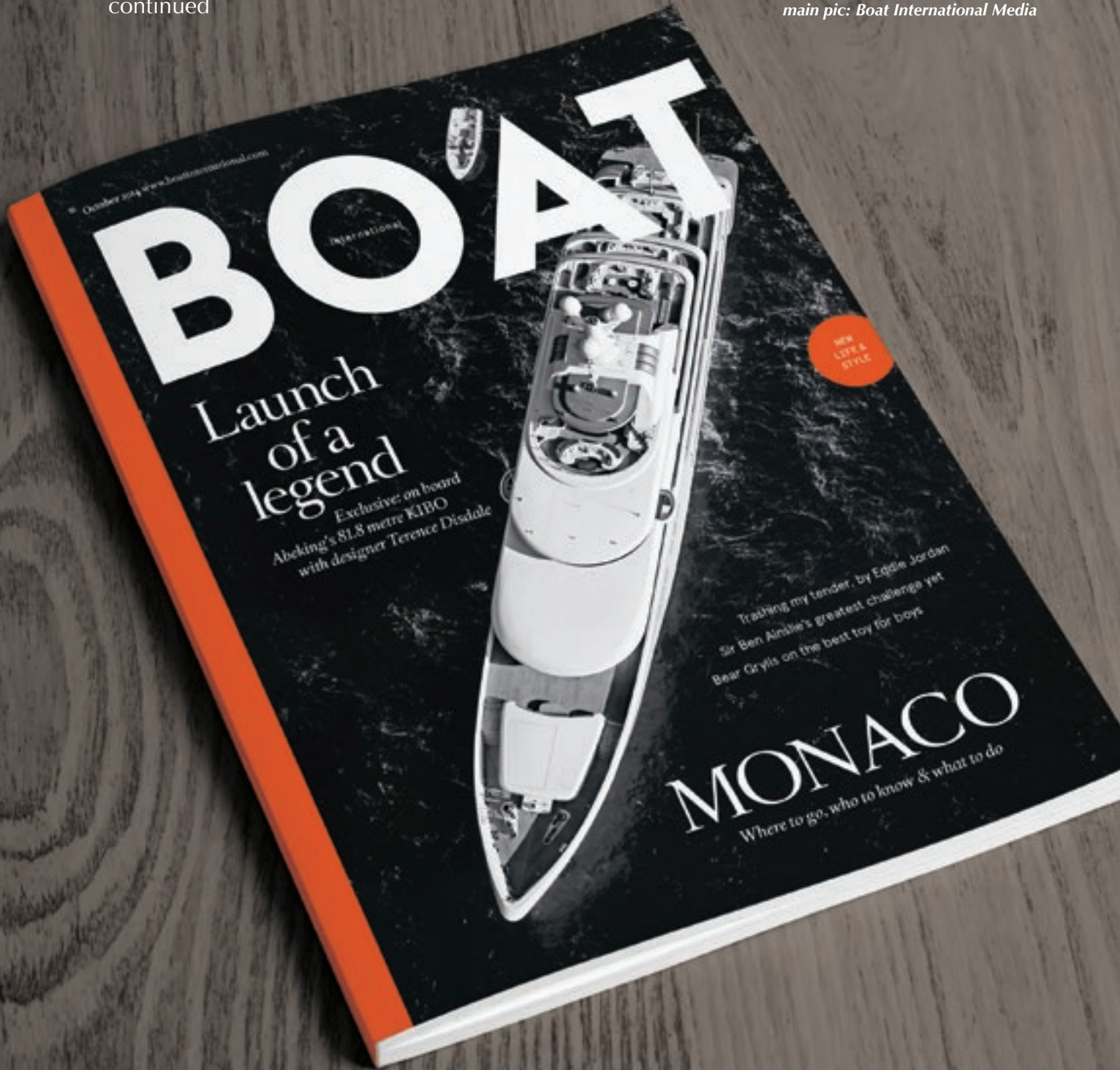
Stilking Films is a prolific producer of commercials, TV series, feature films and music videos. The company has created commercials for almost all Dow Jones and FTSE advertisers. They have co-produced a number of successful feature films, including Casino Royale, Narnia, Mission Impossible 4 and The Bourne Identity and created music videos for artists including Beyoncé, Kanye West, Blur, Madonna and One Direction.

Cost	£1,451,770
Valuation	£1,451,770
Basis of valuation	Cost
Equity holding	30.0%
Investment in the year at cost	£1,451,770
Income accrued in the year	£nil

# Investment Review

continued

main pic: Boat International Media



Rated People



Zenos Cars



Blaze



Stillking Films

# Statutory Reports



# Strategic Report

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This report has been prepared by the Directors in accordance with the requirements of Section 414 of the Companies Act 2006 and incorporates the Financial Summary, Chairman's Statement and Investments section.

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company for shareholders' collective benefit.

## Investment strategy

The Investment objective of the Company is to generate tax free capital gains and income on investors' funds through investment primarily in companies within the leisure and luxury brands sectors, whilst mitigating risk appropriately within the framework of the structural requirements imposed on all VCTs.

## Investment policy

The Company will continue to invest primarily in unquoted companies, across a diverse range of businesses; predominantly those which the Investment Adviser considers are capable of organic growth and, in the long term, sustainable cash flow generation. The investments will be focused towards consumer-facing businesses with an established brand or where brand development opportunities exist. The Company will continue its strategy of investing in a small portfolio of qualifying investments where, in most cases, the Investment Adviser is able to exert influence over key elements of each investee company's strategy and operations. Investee companies may be at any stage in their development from start-up to established businesses, however, the Company aims to invest broadly 60% in established and 40% in early-stage businesses. It is expected that a substantial proportion of the qualifying investments will be in the form of Ordinary shares, and in some cases preference shares or loans.

It is anticipated that, at any time, up to 30% of investments will be held in non-qualifying investments, recognising that no single investment will represent more than 15% of net assets (at the time of investment). Until suitable qualifying

investments are identified, up to 30% of net assets will be invested in a portfolio of investments which may include unquoted companies, money market securities, gilts and cash deposits. The portfolio of non-qualifying investments will be managed with the intention of generating a positive return.

## Borrowings

Whilst the Board does not intend that the Company will borrow funds, the Company is entitled to do so subject to the aggregate principal amount not, at the time of borrowing, exceeding 25% of the value of the adjusted capital and reserves of the Company (being, in summary, the aggregate of the issued share capital, plus any amount standing to the credit of the Company's reserves, deducting any distributions declared and intangible assets and adjusting for any variations to the above since the date of the relevant balance sheet).

## Business review

A detailed review of the Company's development and performance during the year and consideration of its future prospects may be obtained by reference to this Report, the Chairman's Statement (page 5) and the Investment Adviser's Review (pages 8 and 9). Details of the investments made by the Company are given in the Investment Portfolio summary (page 10) and the Investment Review report (pages 12 to 21). A summary of the Company's key financial measures is given on page 4.

## Management agreement

Under an investment management agreement dated 15 February 2013 and novated to the Investment Adviser in July 2014 (the "IMA"), the Investment Adviser provides discretionary and advisory investment management services to the Company in respect of its portfolio of investments.

The Investment Adviser has agreed with the Company that it will indemnify the Company if the total annual running costs of the Company are more than 0.5% of net asset value per quarter. Otherwise, the Investment Adviser will receive an annual investment management fee only if, and to the extent that, the annual running costs

(disregarding any annual management fee payable) amount to less than 0.5% of the Company's NAV per quarter. In such a case the management fee (exclusive of VAT) will be payable quarterly in advance. Annual running costs include the regular ordinary course of business running costs of the Company but do not include costs related to extraordinary events or significant discretionary corporate events and do not include any Performance Fee payable (as described below).

As is customary in the venture capital industry, the Investment Adviser will receive a performance fee when the Company has performed well. The performance fee payable by the Company is 20% (exclusive of VAT) of any amounts distributed to shareholders in excess of £1 per share. In order to ensure that the interests of the Investment Adviser and shareholders are aligned, and to provide a strong incentive to the Investment Adviser, the performance fee will not be payable until distributions (whether of capital or income) to shareholders have exceeded certain hurdles. The hurdle in respect of the Ordinary shares is that Ordinary shareholders must have received in aggregate a return equivalent to at least 8% per annum per share on the amount subscribed per share as from 20 January 2014 in respect of Ordinary shares issued pursuant to the launch offer and from 31 March 2014 in respect of Ordinary shares issued under the 2014 top up offer. The hurdle in respect of the B Ordinary shares is that B Ordinary shareholders must have received in aggregate a return equivalent to at least 3% per annum per share on the amount subscribed per share as from 19 March 2015. In both instances the hurdle is calculated on a daily basis and not compounded, and is adjusted to take account of previous distributions. For example, in respect of Ordinary shares, once total paid or declared dividends have reached £1.00 per Ordinary share plus 8p per share per annum, the Investment Advisor will be paid 20% (exclusive of VAT) of any amounts distributed to shareholders in excess of £1.00 per share, with the remaining 80% being distributed as a dividend to Ordinary shareholders.

# Strategic Report

continued

In respect of B Ordinary shares, once total paid or declared dividends have reached £1.00 per Ordinary share plus 3p per share per annum, the Investment Advisor will be paid 20% (exclusive of VAT) of any amounts distributed to shareholders in excess of £1.00 per share, with the remaining 80% being distributed as a dividend to B Ordinary shareholders.

The Investment Adviser's appointment under the IMA will continue until terminated on 12 months' notice given by either party at any time. The Directors are of the opinion that the Investment Adviser has made a very successful start to raising, investing and managing funds for the Company and that the continuing appointment of the Investment Adviser on the terms agreed is in the interests of all shareholders.

## Venture Capital Trust status

The Company was granted approval as a Venture Capital Trust by HM Revenue & Customs under section 274 of the Income Tax Act 2007. The Directors have managed the affairs of the Company in compliance with this section throughout the period under review and intend to continue to do so.

## Risk management

The Board has adopted a risk management programme whereby it continually identifies the principal risks and uncertainties faced by the Company and reviews both the nature and effectiveness of the internal controls adopted to protect the Company from such risks as far as is possible. The principal risks facing the Company are Venture Capital Trust status risk and investment valuation and liquidity risk.

## Venture Capital Trust status risk

The Company is required to fulfil certain criteria in order to maintain its VCT status. Where full approval as a VCT is not maintained, this could potentially result in the loss of tax relief (i.e. capital gains and income tax relief) which have been provided to both the Company and investors alike. The Investment Adviser continually monitors compliance with the relevant

VCT regulations, and has engaged PricewaterhouseCoopers LLP to provide periodic reports to ensure compliance.

## Investment valuation and liquidity risk

The Company invests in small to medium sized businesses, some of which are start-up companies. As such, there is an inherent degree of risk and lower liquidity than is the case when investing in larger, established quoted companies. The Investment Adviser performs in-house due diligence on all investments, and also engages independent third-party providers when the investments are of a certain size or complexity. In addition, the Company aims to diversify its portfolio by investing in a range of industries and companies at varying stages of development.

## Internal control risk

Failures in key controls – in particular those designed to mitigate Venture Capital Trust status risk and investment valuation and liquidity risk – within the Board or within the Investment Adviser's business, could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.

The Board seeks to mitigate the internal control risk by setting policy, regular reviews of performance, enforcement of contractual obligations and monitoring progress and compliance. Details of the Company's internal controls are included within the Corporate Governance Statement.

## Economic risk

Events such as economic recession and movement in interest rates can affect investor sentiment towards liquidity risk, and hence have a negative impact on the valuation of smaller companies. The Investment Adviser seeks to mitigate this risk by seeking to adopt a suitable investment style for the current point in the business cycle, and to diversify the exposure to geographic end markets.

## Operational risk

Failure of the Investment Adviser's, or other contracted third-parties', accounting systems or disruption to

their businesses might lead to an inability to provide accurate reporting and monitoring or loss to shareholders. The Investment Adviser regularly reviews the performance of third-party suppliers at management meetings and the Directors review the performance of the Investment Adviser at Board meetings.

## Social, environmental, community and human rights issues

The Company had no employees during the period and the Company has three Directors, all of whom are male. The Company, being an externally managed investment company with no employees, has no policies in relation to environmental matters, social, community and human rights issues. The Investment Adviser has detailed procedures in place covering the giving, receiving, authorising and recording of gifts and hospitality by staff of the Investment Adviser.

## Alternative Investment Fund Managers Directive (AIFMD)

The AIFMD, an EU directive, came into effect during the year with the aim of delivering consistency of reporting across all fund types. In accordance with the legislation Oakley Investment Managers LLP applied to the Financial Conduct Authority to register as an Alternative Investment Fund Manager (AIFM). Confirmation of the Oakley Investment Managers LLP's entry in the register of small registered UK AIFMs was received on 4 February 2014. On 18 July 2014 Oakley Investment Managers LLP replaced Oakley Capital Management Limited as the Company's Investment Adviser, at the same time assuming the role of the Company's AIFM. As an AIFM, the Investment Adviser is required to submit an annual report to the FCA setting out various information relating mainly to the Company's investments, principal exposures and liquidity.

By Order of the Board  
The City Partnership (UK) Limited  
Company Secretary  
30 July 2015



# Directors' Report

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This Directors' Report incorporates the Corporate Governance Statement on pages 30 to 32.

## Principal activity and status

The Company is registered as a public limited company in England and Wales under registration number 08307631. The Directors have managed and intend to continue to manage the Company's affairs in such a manner as to comply with section 274 of the Income Tax Act 2007.

## Directors

The Directors of the Company during the period under review were Jonathan Djanogly, Laurence Blackall and Peter Dubens. Brief biographical details of the Directors are given on page 6. In accordance with the Listing Rules of the Financial Conduct Authority, Peter Dubens, as a member of the Company's Investment Adviser, is not considered independent and will therefore be subject to annual re-election by shareholders.

## Dividend

In September 2014 the Company paid an interim dividend of 3.0p per share. The Board now recommends that the shareholders approve, at the forthcoming Annual General Meeting, the payment of a further dividend of 0.6p per Ordinary share.

## Share capital

As at 31 March 2015 a total of 18,141,202 (2014: 18,141,202) Ordinary shares of 1p each and 1,979,400 B Ordinary shares of 1p each were in issue. During the year ended 31 March 2015 a total of 1,979,400 B Ordinary shares were issued at a price of £1.00 per share, in accordance with the terms of the offer for subscription dated 3 October 2014.

The rights and obligations attaching to the Company's Ordinary shares and B Ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House. The holders of Ordinary shares and B Ordinary shares are entitled to receive dividends when declared, to receive the Company's

report and accounts, to attend and speak at general meetings, to appoint proxies and to exercise voting rights. There are no restrictions on the voting rights attaching to the Company's shares or the transfer of securities in the Company.

The Company will consider requests to buy back shares but is mindful that investment in the Company was promoted as comparatively long-term with venture capital portfolios typically taking from five to seven years to mature.

## Substantial shareholdings

As at the date of this report the Company was aware of the undernoted individual shareholdings exceeding 3% of the issued share capital:

- Roy Nominees Limited, 19.2%

## Independent Auditor

A resolution to appoint Grant Thornton UK LLP as Independent Auditor will be proposed at the forthcoming Annual General Meeting.

## Accountability and audit

The Directors' responsibility statement in respect of the Financial Statements is set out on page 33 of this report. The report of the Independent Auditor is set out on pages 34 and 35 of this report. The Directors who were in office on the date of approval of these Financial Statements have confirmed that, as far as they were aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information that has been communicated to the auditors.

## Future developments

The primary focus will continue to be on the development of an investment portfolio which will deliver attractive returns over the medium to longer term. The Company will continue to provide support for the ongoing development of investee companies and the Company's Investment Adviser will continue to work closely with all investee companies towards accelerating their

growth and identifying possible exits in the short to mid-term. Further details on the Company's future prospects may be found in the Outlook paragraph in the Chairman's Statement on page 5. Details of post-balance-sheet events may be found at note 19 to the Financial Statements.

## Going concern

After making enquiries, the Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, the going concern basis has been adopted in the preparation of the Company's Financial Statements.

## Financial instruments

Information on the principal financial instruments held by the Company may be found in the Investment Review forming part of the Strategic Report and at note 17 to the Financial Statements.

## Global greenhouse gas emissions

The Company has no direct greenhouse gas emissions to report from its operations, being an externally managed investment company.

## Requirement of the Listing Rules

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the annual report or a cross reference table indicating where this information is set out. The Directors confirm that there are no disclosures required to be made in this regard.

# Directors' Report

continued

## Annual General Meeting

The Annual General Meeting will be held at Oakley Capital Management's offices at 3 Cadogan Gate, London SW1X 0AS on 24 September 2015 at 11.00 am.

The following denotes the business to take place:

## Ordinary resolutions

### Resolution 1:

#### Approval of the Annual Report

Shareholders will be asked to receive the Directors' Report and Financial Statements for the financial year ended 31 March 2015, together with the Independent Auditor's report thereon.

### Resolution 2:

#### Approval of final dividends of 0.6p per Ordinary share

Shareholders will be asked to approve a final dividend of 0.6p per Ordinary share payable on 30 October 2015 to shareholders on the register on 9 October 2015.

### Resolution 3:

#### Approval of the Directors' Remuneration Report

Under The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) the Company is required to produce a Directors' Annual Report on Remuneration and to seek shareholder approval for that report at the Annual General Meeting. The Directors' Annual Report on Remuneration is on pages 27 and 28 of the Annual Report.

### Resolutions 4 and 5:

#### Re-appointment of auditor and approval of auditor's remuneration

These resolutions provide for the re-appointment of Grant Thornton UK LLP as Independent Auditor to the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and to authorise the Directors to fix the auditor's remuneration.

### Resolution 6:

#### Re-election of Peter Dubens

Peter Dubens retires in accordance with Listing Rule 15.2.13A and, being eligible, offers himself for re-election.

### Resolution 7:

#### Renewal of authority for Directors to allot shares

Shareholders will be asked to renew the Directors' authority to allot shares up to an aggregate nominal value of 10% of the Company's aggregate issued Ordinary and B Ordinary share capital from time to time.

## Special resolutions

### Resolution 8:

#### Renewal of authority for Directors to disapply pre-emption rights in respect of their authority to allot shares

Shareholders will be asked to renew the Directors' authority to disapply pre-emption rights in respect of their authority to allot unissued Ordinary shares of the Company up to an aggregate nominal value of 10% of the Company's aggregate issued Ordinary and B Ordinary share capital from time to time.

If the Directors wish to allot any of the unissued Ordinary shares for cash they must, in the first instance, offer them to existing shareholders in proportion to their shareholding. There are occasions when the Directors will need the flexibility to finance business opportunities by issue of Ordinary shares without a pre-emptive offer to existing shareholders. This authority will expire on the earlier of the date of the next Annual General Meeting of the Company in 2016 and the date which is 15 months after the date on which this resolution is passed.

### Resolution 9:

#### Renewal of authority for the Company to purchase its own shares

The Directors are aware that there is an illiquid market in the Company's shares. The Directors therefore consider that the Company should have the ability to make market purchases of its Ordinary shares in the market for cancellation. A special resolution will be proposed at the Annual General Meeting seeking authority for the Company to purchase up to 14.99% of the issued share capital as at the date of the Annual General Meeting. This authority will expire on the earlier of the date of the Company's Annual General Meeting to be held in 2016 and the date which is 15 months after the date on which this resolution is passed.

By Order of the Board  
The City Partnership (UK) Limited  
Company Secretary  
30 July 2015

# Directors' Remuneration Report

This report has been prepared by the Directors in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the "Regulations"). An Ordinary resolution for the approval of the Directors' Annual Report on Remuneration will be put to members at the forthcoming Annual General Meeting.

The Company's auditors, Grant Thornton UK LLP, are required to give their opinion on certain information included in this report. The disclosures which have been audited are indicated as such. The auditor's opinion on these and other matters is set out in their report on pages 34 and 35.

## Annual statement from the Chairman of the Company

All of the Directors began their term on 27 November 2012. There have been no changes to Directors' remuneration during the period. Directors' fees are reviewed annually and are set by the Board to attract individuals with the appropriate range of skills and experience. In determining the level of fees, their duties and responsibilities are considered, together with the level of time commitment required in preparing for and attending meetings.

As all the Directors are non-executive, it is not considered appropriate to appoint a nomination or remuneration committee. Any decisions on remuneration are taken by the Board as a whole.

## Directors' remuneration policy

The Board considers that Directors' fees should reflect the time commitment required and the high level of responsibility borne by Directors, and should be broadly comparable to the fees paid by similar companies while ensuring that the fees payable are appropriate to retain individuals of sufficient calibre to lead the Company in achieving its short- and long-term strategy. The Company's Articles of Association place an overall limit of £100,000 on Directors' remuneration. None of the Directors is eligible for pension benefits, share options, bonuses or other benefits in respect of their services as non-executive Directors of the Company. The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration.

This policy was approved by members at the AGM in 2014 and it is intended that this policy will continue for the year ending 31 March 2016 and subsequent years. In accordance with the Regulations,

a binding ordinary resolution to approve the Directors' Remuneration Policy will be put to shareholders at least once every three years.

## Terms of appointment

None of the Directors has a service contract with the Company. On being appointed, all Directors received a letter from the Company setting out the terms of their appointment, details of the fees payable and their specific duties and responsibilities. A Director's appointment may be terminated by the Director or by the Company on the expiry of three months' notice in writing given by the Director or the Company as the case may be. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office. The letters of appointment are available for inspection on request from the company secretary.

The Company's Articles of Association provide that the Directors will be subject to election at the first Annual General Meeting after their appointment and at least every three years thereafter. Peter Dubens, as a non-independent Director, is subject to re-election at the Annual General Meeting in 2015.

Brief biographical details of the Directors are given on page 6.

## Directors' Annual Report on Remuneration

### Directors' fees for the period (audited)

The fees payable to individual Directors in respect of the year ended 31 March 2015 are shown in the table below:

Director	Total annual fee £	Total fee paid for year ended 31.03.15 £	Total fee paid for period ended 31.03.14 £
Jonathan Djanogly	20,000	20,000	19,726
Laurence Blackall	15,000	15,000	14,795
Peter Dubens*	15,000	—	—

\*Peter Dubens has waived his right to a fee for the year ended 31 March 2015 and the period ended 31 March 2014.

No taxable benefits were paid to the Directors, no pension related benefits were paid to the Directors and no money or other assets were received or receivable to Directors. There were no fees payable to past directors or payments made for loss of office. Fees are not specifically related to the Directors' performance, either individually or collectively. Peter Dubens, as a member of the Investment Adviser, will benefit from performance related fees paid to the Investment Adviser. Details of these incentive fees are disclosed within the Strategic Report and note 3 to the Financial Statements.

# Directors' Remuneration Report

continued

## Relative importance of spend on pay

The table below shows the total remuneration paid to the Directors and shareholder distributions in the year to 31 March 2015 and the prior year:

	Year ended 31.03.15 £	Period ended 31.03.14 £	Percentage increase/(decrease) %
Total Directors' fees	35,000	34,521	1.39
Dividend	544,236	nil	n/a

## Directors' shareholdings (audited)

The beneficial interests of the Directors in the shares of the Company were as follows:

Director	As at 31.03.15		As at 31.03.15		As at 31.03.14	
	Ordinary shares held	% of Ordinary shares in issue	B Ordinary shares held	% of B Ordinary shares in issue	Shares held	% of shares in issue
Jonathan Djanogly	25,000	0.14	–	–	25,000	0.14
Laurence Blackall	200,000	1.10	–	–	200,000	1.10
Peter Dubens	400,000	2.20	200,000	10.10	400,000	2.20

On 1 April 2015, Jonathan Djanogly subscribed for 25,000 B Ordinary shares. On 29 July 2015, Laurence Blackall subscribed for 100,000 B Ordinary shares. Peter Dubens' holdings remained unchanged at the date of this report.

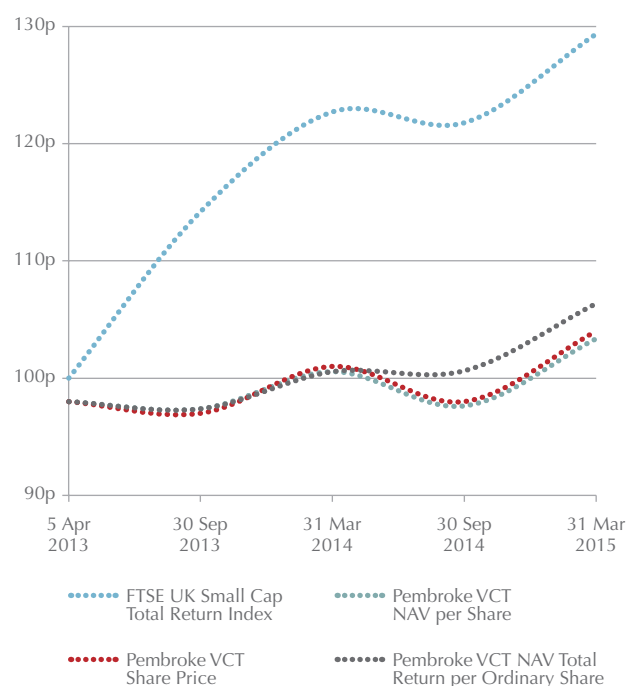
## Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Adviser through a management agreement. The Directors consider that, given the early stage of the Company, any comparison of investment performance with a relevant index would be misleading. However a comparison is required by law and is therefore provided opposite.

The graph compares the Company's share price and net asset value per share total return with the total return from a notional investment of 100p in the FTSE UK Small Cap Index over the same period. This index is considered to be the most appropriate broad equity index for comparative purposes.

At the last AGM held on 28 August 2014, 100% of shareholders voted for, and nil shares were withheld in respect of, the resolution approving the Directors' remuneration report and 100% of shareholders voted for the Remuneration Policy with nil shares withheld. An ordinary resolution for the approval of the Directors' Annual Report on Remuneration will be put to shareholders at the forthcoming AGM.

On behalf of the Board  
Jonathan Djanogly  
Director  
30 July 2015



# Governance



# Corporate Governance Statement

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The Directors of Pembroke VCT plc confirm that the Company has taken appropriate action to enable it to comply with the Principles of the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council in September 2012.

As a Venture Capital Trust, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company. Apart from the matters referred to in the following paragraphs, the requirements of the Code were complied with throughout the year ended 31 March 2015.

In view of its non-executive nature and the requirements of the Company's Articles of Association that all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and thereafter every third Annual General Meeting, the Board considers that it is not appropriate for the Directors to be appointed for a specific term as recommended by the Code. Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as necessary. In light of the responsibilities retained by the Board and the Audit Committee and of the responsibilities delegated to the Investment Adviser, the VCT status adviser and the company secretary, the Company has not appointed a chief executive, deputy chairman or a senior independent non-executive Director. There is no formal induction programme for Directors but any newly appointed

Director will be given a comprehensive introduction to the Company's business, including meeting the Company's advisers.

Being an externally managed investment company, the Company does not have an independent internal audit function. Such a function is thought by the Board to be unnecessary given the size of the Company and the nature of its business.

## Board of Directors

The Company has a Board of three non-executive Directors, two of whom are considered to be independent. The third Director, Peter Dubens, is also a member of the Investment Adviser. The Company has no employees.

All non-executive Directors have signed letters confirming the terms of their appointment as non-executive Directors with effect from 5 April 2013.

Directors are provided with key information on the Company's activities including regulatory and statutory requirements and internal controls by the Company's VCT status adviser, PricewaterhouseCoopers LLP, and by the company secretary, The City Partnership (UK) Limited. The Board has direct access to corporate governance advice and compliance services through the company secretary, which is responsible for ensuring that Board procedures are followed and compliance requirements are met.

All Directors may take independent professional advice in furtherance of their duties as necessary.

The Board is responsible to shareholders for the proper management of the Company and looks to meet on at least four occasions each year. It has formally adopted a schedule of matters which must be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. Those matters include the appointment or removal of the Investment Adviser and monitoring the performance of the Investment Adviser and investee companies. The Chairman and the company secretary establish the agenda for each Board meeting and all necessary papers are distributed in advance of the meetings.

## Board performance

The Board aims to carry out performance evaluations of the Board and the Audit Committee and, consequently, individual Directors each coming year. Due to the size of the Company, the fact that all Directors are non-executive and the costs involved, external facilitators will not be used in the evaluation. During the year the performance of the Audit Committee was evaluated by Jonathan Djanogly in a full Committee, which concluded that the Audit Committee's performance was satisfactory and that it had discharged all of its responsibilities. An informal evaluation of the Board by Laurence Blackall was carried out during the year, which concluded that the Board had discharged its responsibilities satisfactorily. A more formal evaluation is planned for 2016.

# Corporate Governance Statement

continued

## Audit Committee

The Audit Committee operates within clearly defined written terms of reference which are available on request from the company secretary.

The Audit Committee comprises two independent Directors. The members of the committee are Laurence Blackall (chairman) and Jonathan Djanogly. A quorum shall be two members.

During the year ended 31 March 2015 and up to the date of signing the Annual Report and Financial Statements, the Audit Committee discharged its responsibilities by:

- Reviewing the Company's annual and half yearly results, including the fair value of investments as determined by the Investment Adviser, calculation of the management fee and allocation of expenses between revenue and capital, and making recommendations to the Board;
- Reviewing the Company's accounting policies;
- Reviewing internal controls and assessing the effectiveness of those controls in minimising the impact of key risks;
- Reviewing and approving the statements to be included in the annual report concerning internal control and risk management;
- Reviewing the need to appoint an internal audit function;
- Reviewing and approving the Independent Auditor's terms of engagement, including remuneration;
- Reviewing and monitoring the independence and objectivity of the auditors and the effectiveness of the audit process;

- Reviewing and approving the Independent Auditor's audit plan;
- Recommending to the Board and shareholders the ongoing appointment of and fee payable to Grant Thornton UK LLP; and
- Reviewing the arrangements for staff of the Investment Adviser to raise concerns in confidence about possible improprieties in financial reporting or other matters and ensuring that those arrangements allow proportionate and independent investigation of such matters and appropriate follow-up actions.

The key areas of risk identified by the Audit Committee in relation to the business activities and Financial Statements of the Company are:

- Compliance with HM Revenue & Customs rules – in particular s274 of the Income Tax Act 2007 – to maintain the Company's VCT status; and
- Valuation of unquoted investments.

These risks were discussed with the Investment Adviser at the Audit Committee meeting before sign-off of the Financial Statements. The Committee concluded:

Venture Capital status – the Investment Adviser confirmed to the Audit Committee that the conditions for maintaining the Company's status had been complied with throughout the period.

Valuation of unquoted investments – the Investment Adviser confirmed to the Audit Committee that the basis of valuation for unquoted companies was in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data.

The Investment Adviser and auditors confirmed to the Audit Committee that they were not aware of any material unadjusted misstatements. Having reviewed the reports received from the Investment Adviser and auditors, the Audit Committee is satisfied that the key areas of risk and judgment have been appropriately addressed in the Financial Statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust.

The Audit Committee has managed the relationship with the auditors and assessed the effectiveness of the audit process. When assessing the effectiveness of the process for the period under review, the Committee considered the auditors' technical knowledge and that they have a clear understanding of the business of the Company; that the audit team is appropriately resourced; that the auditors provided a clear explanation of the scope and strategy of the audit and maintained independence and objectivity. As part of the review of auditor effectiveness and independence, Grant Thornton UK LLP has confirmed that it is independent of the Company and has complied with applicable auditing standards. Grant Thornton UK LLP does not provide any non-audit services to the Company and the Audit Committee must approve the appointment of the external auditor for any non-audit services. Grant Thornton UK LLP has held office as auditor for two years; in accordance with ethical standards the engagement partner is rotated after at most five years, and the current partner has served for two years.

# Corporate Governance Statement

continued

## Attendance at Board and committee meetings

During the year ended 31 March 2015 there were:

- 5 full Board meetings; and
- 3 Audit Committee meetings.

The Directors' attendance at these meetings is noted here.

Director	Board	Audit Committee
Jonathan Djanogly	5	3
Laurence Blackall	5	3
Peter Dubens	2	n/a

## Internal control

The Board has established a process for the identification, evaluation and management of the significant risks faced by the Company. The Board acknowledges that it is responsible for the Company's internal control systems and for reviewing their effectiveness. Internal controls are designed to manage the particular needs of the Company and the risks to which it is exposed. The internal control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information on which business decisions are made and which is used for publication, and that the assets of the Company are safeguarded. They can by their nature provide only reasonable and not absolute assurance against material misstatement or loss. The financial controls operated by the Board include the authorisation of investments and regular reviews of both the financial results and investment performance.

The Board has delegated to third parties the provision of: investment advisory services; VCT status advisory services; broking services; day-to-day accounting, company secretarial and administration services; and share registration services.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered. The Board receives and considers regular reports from the Investment Adviser. Ad hoc reports and information are supplied to the Board as required. The Board keeps under review the terms of the agreement with the Investment Adviser.

## Review of internal control

The process adopted by the Board for identifying, evaluating and managing the risks faced by the Company includes an annual review of the control systems. The review covers a consideration of the significant risks in each of three areas: statutory and regulatory compliance; financial reporting; and investment strategy and performance. Each risk is considered with regard to: the likelihood of occurrence, the probable impact on the Company, and the controls exercised at source, through reporting and at Board level. The Board has identified no problems with the Company's internal controls.

## Relations with shareholders

The Board welcomes the views of shareholders and puts a premium on effective communication with the Company's members. All written communication with shareholders is reviewed by the Board to ensure that shareholder enquiries are promptly and adequately resolved. Shareholders are encouraged to attend the Company's Annual General Meeting where the Directors and representatives of the Company's advisers will be available to answer any questions members may have. The notice of Annual General Meeting accompanies this report, which is sent to shareholders. A separate resolution is proposed for each substantive issue.

The Board also communicates with shareholders through the half-yearly and annual reports which will include a Chairman's statement and an investment adviser's report both of which are reviewed and approved by the Board to ensure that they present a fair assessment of the Company's position and future prospects.



# Statement of Directors' Responsibilities

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The Directors are responsible for preparing the Annual Report, Strategic Report, Directors' Report, Directors' Remuneration Report and the Financial Statements in accordance with applicable laws and regulations. The Directors have chosen to prepare the Financial Statements for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view in accordance with UK GAAP of the state of affairs of the Company as at the end of the financial year and of the return or loss of the Company for that period and which comply with UK GAAP and the Companies Act 2006.

In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether all applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements respectively; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

and which enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that the Annual Report and Financial Statements of the Company for the year ended 31 March 2015 as a whole is fair, balanced and understandable and provides the information necessary for the members of the Company to assess the Company's performance, business model and strategy.

## Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

## Directors' responsibilities pursuant to DTR4

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and return or loss of the Company; and
- the Directors consider that the Annual Report and Accounts of the Company for the year ended 31 March 2015 as a whole is fair, balanced and understandable and provides the information necessary for the members of the Company to assess the Company's business model and strategy.
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Company together with a description of the principal risks and uncertainties that it faces.

The names of the Directors undersigning this Statement of Responsibilities may be found in the Directors' Report on pages 25 and 26.

On behalf of the Board  
Jonathan Djanogly  
Director  
30 July 2015



# Independent Auditor's Report

to the members of Pembroke VCT plc

## Our opinion on the financial statements is unmodified

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Who we are reporting to

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

## What we have audited

Pembroke VCT plc's financial statements comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related Notes to the Financial Statements.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice.

## Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that are, in our judgment, likely to be most important to users' understanding of our audit.

### Valuation of unquoted investments

**The risk:** The Investment strategy of the Company is to generate tax free capital gains and income on investors' funds through investment primarily in a diversified portfolio of small, principally unquoted companies within the leisure and luxury brands sectors. These investments which amount, by value, to 85% of Shareholders' Funds are held in investments which comprise unquoted shares and loans and, therefore, no quoted market price is available. The investments in unquoted shares are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital (IPEVC) valuation guidelines by using measurements of value such as price of recent investment, earnings multiples and cost which are subjective and include significant assumptions. The investments held as loans are measured at fair value, which is established by discounting expected future contractual payments at a market rate of interest. Accordingly, there is a significant risk over the valuation of these investments and this is the key judgment area that our audit focuses on.

**Our response:** Our audit work included, but was not restricted to, engaging our internal valuation specialists to assist with reviewing and challenging the reasonableness of both the valuation model used and the assumptions made by the investment adviser to value certain of the unquoted shares that had been valued using a valuation model, including corroboration of financial inputs to the relevant investee company management accounts; consideration of whether the valuation methodology applied was consistent with published guidance, in particular the IPEVC valuation guidelines; where the price of a recent transaction had been used to value a holding, we obtained an understanding of the circumstances relating to it and whether it was appropriate to be considered as an arms-length transaction that could be used as a valuation input; where an investment was continued to be carried at cost, we obtained an understanding of the financial performance and future prospects of the investee company and

considered whether it was appropriate to continue to recognise at cost; for loans made to investee companies we obtained a copy of the loan agreements and compared the forecast of future cash flows made by the investment adviser to the contractual terms; obtained an understanding of the factors considered in determining the market rate of interest to use and considered whether the rate used was appropriate; considering events which occurred subsequent to the year end up until the date of this report; attending the year end audit committee meeting where we assessed the effectiveness and rigour of the audit committee's challenge and appraisal of the valuation of the unquoted investments; and consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures relating to the unquoted investments.

The Company's accounting policy on the valuation of unquoted investments is included in note 1, and its disclosures about unquoted investments held at year-end are included in note 8. The audit committee also identified the valuation of unquoted investments as a key area of risk. The action that the audit committee took in relation to this risk is set out in the report of the audit committee on page 31.

## Our application of materiality and an overview of the scope of our audit

### Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We determined materiality for the audit of the financial statements as a whole to be £208,000, which is 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be a key driver of the Company's total return performance. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at

# Independent Auditor's Report

to the members of Pembroke VCT plc continued

75% of financial statement materiality for the audit of the financial statements. We also determine a lower level of specific materiality for the revenue column of the Income Statement and for certain areas such as the investment adviser's fee, Directors' remuneration and related party transactions.

We determined a threshold at which we communicate misstatements to the Audit Committee of £10,400 for the financial statements as a whole, while also communicating misstatements below that threshold that warrant reporting on qualitative grounds.

## Overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Company and the third-party service providers, and inspecting records and documents held by the third-party service provider. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

## Other reporting required by regulations

### Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following:

### Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Report that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

### Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

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

### Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 25, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

## Responsibilities for the financial statements and the audit

### What an audit of financial statements involves:

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### What the Directors are responsible for:

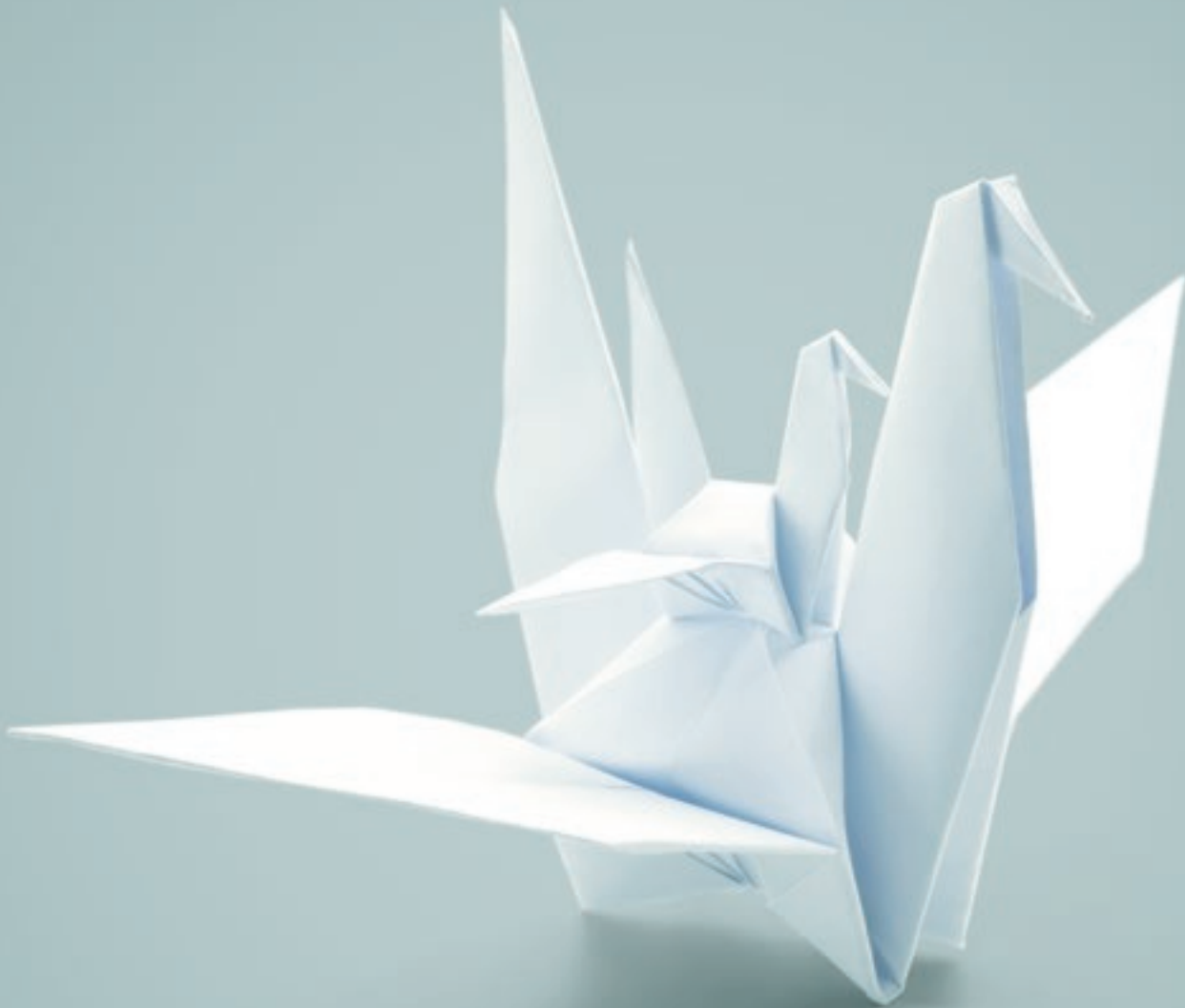
As explained more fully in the Statement of Directors' Responsibilities set out on page 33 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### What we are responsible for:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Julian Bartlett  
Senior Statutory Auditor  
for and on behalf of  
Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
30 July 2015

# Financial Statements



# Income Statement

for the year ended 31 March 2015

	Note	Year ended 31.03.15			Period ended 31.03.14		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Realised/unrealised gains and losses on investments	8	–	1,115,046	1,115,046	–	608,222	608,222
Income	2,8	478,608	17,475	496,083	158,421	–	158,421
Investment adviser's fees	3	(37,891)	(113,670)	(151,561)	(32,345)	(97,034)	(129,379)
Other expenses	4	(274,524)	(24,896)	(299,420)	(158,665)	(7,500)	(166,165)
Profit on ordinary activities before tax		166,193	993,955	1,160,148	(32,589)	503,688	471,099
Tax on ordinary activities	5	–	–	–	–	–	–
Profit attributable to equity shareholders		166,193	993,955	1,160,148	(32,589)	503,688	471,099
Return per share – basic and diluted							
Ordinary shares	7	0.92p	5.48p	6.40p	(0.24)p	3.73p	3.49p
B Ordinary shares*	7	(0.04)p	(0.03)p	(0.07)p	n/a	n/a	n/a

\*Return per share for B Ordinary shares reflect the period from 19 March 2015, the date of first allotment, to 31 March 2015.

The total column of this statement represents the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits. The Company has no gains and losses other than those recognised in the Income Statement above and has not therefore prepared a separate statement of total recognised gains and losses.

## Unaudited Non-Statutory Analysis between the Ordinary and B Ordinary shares

	Note	Ordinary shares			B Ordinary shares		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Realised/unrealised gains and losses on investments	8	–	1,115,046	1,115,046	–	–	–
Income	2,8	478,608	17,475	496,083	–	–	–
Investment adviser's fees	3	(37,672)	(113,015)	(150,687)	(219)	(655)	(874)
Other expenses	4	(273,998)	(24,896)	(298,894)	(526)	–	(526)
Profit on ordinary activities before tax		166,938	994,610	1,161,548	(745)	(655)	(1,400)
Tax on ordinary activities	5	–	–	–	–	–	–
Profit attributable to equity shareholders		166,938	994,610	1,161,548	(745)	(655)	(1,400)

The accompanying notes on pages 43 to 53 are an integral part of the Financial Statements.

# Balance Sheet

as at 31 March 2015

	Note	As at 31.03.15 £	As at 31.03.14 £
<b>Fixed assets</b>			
Investments	8	17,686,375	10,351,741
<b>Current assets</b>			
Debtors	10	444,992	1,648,044
Cash at bank and in hand		3,214,882	7,019,865
		3,659,874	8,667,909
Creditors: amounts falling due within one year	11	(550,207)	(779,332)
Net current assets		3,109,667	7,888,577
Net assets		20,796,042	18,240,318
<b>Capital and reserves</b>			
Called up share capital	12	201,206	181,412
Share premium account	13	3,519,742	1,599,724
Special reserve	13	15,443,847	15,988,083
Capital reserves	13	1,497,643	503,688
Revenue reserves	13	133,604	(32,589)
Total shareholders' funds		20,796,042	18,240,318
Net asset value per share	14	103.36	100.55p

The Financial Statements were approved by the Directors and authorised for issue on 30 July 2015 and signed on their behalf by:

Jonathan Djanogly  
Director

The accompanying notes on pages 43 to 53 are an integral part of the Financial Statements.

## Balance Sheet

as at 31 March 2015

### Unaudited Non-Statutory Analysis between the Ordinary and B Ordinary Share Funds

	Note	As at 31.03.15			As at 31.03.14
		Ordinary shares £	B Ordinary shares £	Total £	Ordinary shares/ Total £
<b>Fixed assets</b>					
Investments	8	17,686,375	–	17,686,375	10,351,741
<b>Current assets</b>					
Debtors	10	405,278	39,714	444,992	1,648,044
Cash at bank and in hand		1,314,784	1,900,098	3,214,882	7,019,865
		1,720,062	1,939,812	3,659,874	8,667,909
Creditors: amounts falling due within one year	11	(548,807)	(1,400)	(550,207)	(779,332)
Net current assets		1,171,255	1,938,412	3,109,667	7,888,577
Net assets		18,857,630	1,938,412	20,796,042	18,240,318
<b>Capital and reserves</b>					
Called up share capital	12	181,412	19,794	201,206	181,412
Share premium account	13	1,599,724	1,920,018	3,519,742	1,599,724
Special reserve	13	15,443,847	–	15,443,847	15,988,083
Capital reserves	13	1,498,298	(655)	1,497,643	503,688
Revenue reserves	13	134,349	(745)	133,604	(32,589)
Total shareholders' funds		18,857,630	1,938,412	20,796,042	18,240,318
Net asset value per share	14	103.95	97.93p	103.36	100.55p

The accompanying notes on pages 43 to 53 are an integral part of the Financial Statements.

# Cash Flow Statement

for the year ended 31 March 2015

	Note	Year ended 31.03.15 £	Period ended 31.03.14 £
<b>Operating activities</b>			
Investment income received – qualifying		46,685	30,000
Deposit and similar interest received – non qualifying		15,247	3,297
Investment adviser's fees paid		(153,801)	(58,387)
Company secretarial fees paid		–	(26,401)
Cash paid to and on behalf of directors		(48,854)	(19,502)
Other cash payments		(127,990)	(46,494)
Net cash outflow from operating activities	15	(268,713)	(117,487)
<b>Financial investment</b>			
Purchase of investments		(4,156,944)	(7,062,008)
Long-term loans made		(1,941,600)	(2,011,200)
Short-term loans made		(350,000)	–
Net cash outflow from financial investment		(6,448,544)	(9,073,208)
<b>Dividends</b>			
Equity dividends paid		(544,236)	–
Net cash outflow from dividends		(544,236)	–
Net cash outflow before financing		(7,261,493)	(9,190,695)
<b>Financing</b>			
New share issue – ordinary shares		3,626,200	16,494,400
New share issue – preference shares		–	50,000
Redemption of preference shares		–	(50,000)
Share issue expenses		(160,531)	(283,840)
Cost of creation of special reserve		(9,159)	–
Net cash inflow from financing		3,456,510	16,210,560
(Decrease)/increase in cash	16	(3,804,983)	7,019,865

The accompanying notes on pages 43 to 53 are an integral part of the Financial Statements.



# Cash Flow Statement

for the year ended 31 March 2015

## Unaudited Non-Statutory Analysis between the Ordinary and B Ordinary Share Funds

	Note	Year ended 31.03.15 Ordinary shares £	B Ordinary shares £	Total £	Period ended 31.03.14 Ordinary shares/total £
<b>Operating activities</b>					
Investment income received – qualifying		46,685	–	46,685	30,000
Deposit and similar interest received – non qualifying		15,247	–	15,247	3,297
Investment adviser’s fees paid		(153,801)	–	(153,801)	(58,387)
Company secretarial fees paid		–	–	–	(26,401)
Cash paid to and on behalf of directors		(48,854)	–	(48,854)	(19,502)
Other cash payments		(127,990)	–	(127,990)	(46,494)
Net cash outflow from operating activities	15	(268,713)	–	(268,713)	(117,487)
<b>Financial investment</b>					
Purchase of investments		(4,156,944)	–	(4,156,944)	(7,062,008)
Long-term loans made		(1,941,600)	–	(1,941,600)	(2,011,200)
Short-term loans made		(350,000)	–	(350,000)	–
Net cash outflow from financial investment		(6,448,544)	–	(6,448,544)	(9,073,208)
<b>Dividends</b>					
Equity dividends paid		(544,236)	–	(544,236)	–
Net cash outflow from dividends		(544,236)	–	(544,236)	–
Net cash outflow before financing		(7,261,493)	–	(7,261,493)	(9,190,695)
<b>Financing</b>					
New share issue – ordinary shares		1,646,800	1,979,400	3,626,200	16,494,400
New share issue – preference shares		–	–	–	50,000
Redemption of preference shares		–	–	–	(50,000)
Share issue expenses		(81,229)	(79,302)	(160,531)	(283,840)
Cost of creation of special reserve		(9,159)	–	(9,159)	–
Net cash inflow from financing		1,556,412	1,900,098	3,456,510	16,210,560
(Decrease)/increase in cash	16	(5,705,081)	1,900,098	(3,804,983)	7,019,865

The accompanying notes on pages 43 to 53 are an integral part of the Financial Statements.

## Reconciliation of Movements in Shareholders' Funds

for the year ended 31 March 2015

	Note	Year ended 31.03.15 £	Period ended 31.03.14 £
Total shareholders' funds at 31 March 2014		18,240,318	–
New share issue		1,979,400	18,141,202
Expenses of offer		(39,588)	(362,824)
Expenses of special reserve creation		–	(9,159)
Dividend	6	(544,236)	–
Profit for the period		1,160,148	471,099
Total shareholders' funds at 31 March 2015		20,796,042	18,240,318

## Unaudited Non-Statutory Analysis between the Ordinary and B Ordinary Share Funds

	Note	Ordinary shares 2015 £	B Ordinary shares 2015 £
Total shareholders' funds at 31 March 2014		18,240,318	–
New share issue		–	1,979,400
Expenses of offer		–	(39,588)
Dividend	6	(544,236)	–
Profit for the period		1,161,548	(1,400)
Total shareholders' funds at 31 March 2015		18,857,630	1,938,412

The accompanying notes on pages 43 to 53 are an integral part of the Financial Statements.

# Notes to the Financial Statements

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## 1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

### a) Going concern

The Board of Directors is satisfied that the Company has adequate availability of funding in order to continue as a going concern. Therefore the Company continues to adopt the going concern basis in preparing these Financial Statements.

### b) Basis of accounting

The Financial Statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of certain financial instruments, in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and in accordance with the Companies Act 2006. Where presentational guidance set out in the Statement of Recommended Practice (SORP) "Financial Statements of Investment Trust Companies and Venture Capital Trusts", revised in January 2009, is consistent with the requirements of UK GAAP, the Directors have sought to prepare the Financial Statements on a consistent basis compliant with the recommendations of the SORP.

### c) Investments

The Company did not hold any listed investments at any time during the period under review. Investments in unlisted companies are held at fair value through profit or loss by the Directors. Information about the portfolio is provided internally to the Directors on that basis and the Directors consider the basis to be consistent with the Company's investment strategy, with reference to the International Private Equity and Venture Capital Valuation Guidelines ("IPEVCV guidelines"). Accordingly, upon initial recognition, unquoted investments are designated by the Company as at fair value through profit or loss. The IPEVCV guidelines include the following:

All unquoted equity investments are held at the price of a recent investment for an appropriate period where there is considered to have been no change in fair value. Where such a basis is no longer considered appropriate, the following factors will be considered:

- (i) Where a value is indicated by a material arms-length transaction by an independent third-party in the shares of a company, this value will be used.
- (ii) In the absence of (i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to either:
  - a) an earnings multiple basis. The shares may be valued by applying a suitable price-earnings ratio to that company's historical, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the Investment Adviser compared with the sector including, *inter alia*, a lack of marketability); or
  - b) an assessment of other relevant, objective evidence.
- (iii) Where an earnings multiple or other objective evidence is not appropriate and overriding factors apply, discounted cash flow or net asset valuation bases may be applied.
- (iv) Loan stock investments are recognised at their fair value which is measured at the present value of expected future cash flows discounted at a market rate of interest.

Realised surpluses or deficits on the disposal of investments are taken to realised capital reserves, and unrealised surpluses and deficits on the revaluation of investments are taken to unrealised capital reserves.

Those venture capital investments that may be categorised as associated undertakings are carried at fair value as determined by the Directors in accordance with the Company's normal policy and are not equity accounted as required by the Companies Act 2006. The Directors consider that, as these investments are held as part of the Company's portfolio with a view to ultimate realisation of capital gains, equity accounting would not give a true and fair view of the Company's interests in these investments. Quantification of the effect of this departure is not practicable. Carrying investments at fair value is specifically permitted under Financial Reporting Standard 9 "Associates and Joint Ventures" where venture capital entities hold investments as part of a portfolio.

### d) Income

Dividends receivable on listed equity shares are brought into account on the ex-dividend date. Dividends receivable on unlisted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Special dividends receivable are treated as a revenue receipt or a capital receipt depending on the facts and circumstances of each particular case. Fixed returns on non-equity shares and debt securities are recognised on an accruals basis using the effective interest method. Such amounts are recognised in the revenue column provided that there is no reasonable doubt that payment will be received in due course, otherwise it is recognised in the capital column.

# Notes to the Financial Statements

continued

## e) Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been accounted for as revenue items except as follows:

Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly the investment management fee is currently allocated 25% to revenue and 75% to capital, which reflects the Directors' expected long-term view of the nature of the investment returns of the Company.

## f) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the Financial Statements which are capable of reversal in one or more subsequent periods. Due to the Company's status as a Venture Capital Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising in the revaluation or disposal of investments. Deferred tax is calculated using the expected rate ruling at the estimated time of reversal using tax rates that have either been enacted or substantively enacted at the balance sheet date.

## g) Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances and most debtors and creditors. Equity and loan stock investments are carried at fair value through profit or loss. All other financial assets and liabilities are initially recognised at fair value and then subsequently on an amortised cost basis with the exception of short-term payables and receivables.

## h) Events after the balance sheet date

Dividends declared and approved by the Company after the balance sheet date have not been recognised as a liability of the Company at the balance sheet date.

## 2. Income

	Year ended 31.03.15 £	Period ended 31.03.14 £
Interest receivable - revenue		
– from bank deposits	5,890	4,161
– from long-term loan stock	442,446	150,280
– from short-term loan stock	24,282	–
– arrangement fees received	5,990	3,980
	478,608	158,421
Interest receivable - capital		
– from long-term loan stock	17,475	–
	496,083	158,421

# Notes to the Financial Statements

continued

## 3. Investment Adviser's fees

	Year ended 31.03.15 £	Period ended 31.03.14 £
Oakley Investment Managers LLP	151,561	–
Oakley Capital Management Limited	–	129,379

In July 2014, Oakley Investment Manager LLP was appointed as the Company's Investment Adviser, assuming the role formerly undertaken by Oakley Capital Management Limited. This appointment shall continue until terminated by the expiry of not less than twelve months' notice in writing given by either party to the other at any time. The appointment may also be terminated in circumstances of material breach by either party.

Details of the appointment may be found in the Strategic Report on pages 23 and 24.

## 4. Other expenses

Other expenses include:

	Year ended 31.03.15 £	Period ended 31.03.14 £
Company secretarial fees	44,429	36,711
Auditor's fees – audit services	29,700	25,300
Printing and stationery	33,789	8,940
Investment acquisition costs	20,869	7,500
Other costs	37,824	23,756
Interest forgone on renegotiation of loan investment	62,160	–
Irrecoverable VAT	29,709	19,278

After the year end, the terms of a loan investment in Chucs Limited were renegotiated. As a result, £62,160 of interest accrued on the loan was forgone. More details relating to the investment in Chucs Limited can be found in the Investment Adviser's Review on page 9.

The Company has no employees other than the Directors.

Information relating to Directors' remuneration can be found in the audited section of the Directors' Remuneration Report on pages 27 and 28.

## 5. Tax on ordinary activities

### a) Analysis of tax charge

	Year ended 31.03.15 £	Period ended 31.03.14 £
Revenue charge	–	–
Credited to capital return	–	–
Current and total tax charge (note (b))	–	–

# Notes to the Financial Statements

continued

## b) Factors affecting tax charge for the period

	Year ended 31.03.15 £	Period ended 31.03.14 £
Total return on ordinary activities before tax	1,160,148	471,099
Effect of:		
Corporation tax at 20%	232,030	94,220
Non-taxable gains on investments	(223,009)	(121,645)
Movement in excess management expenses	(9,021)	27,425
Tax charge for period (note (a))	–	–

No asset or liability has been recognised for deferred tax in relation to capital gains or losses on revaluing investments as the Company is exempt from corporation tax in relation to capital gains or losses as a result of qualifying as a Venture Capital Trust. There is no potential liability to deferred tax. No deferred tax asset has been recognised on surplus expenses carried forward as it is not envisaged that any such tax will be recovered in the foreseeable future. The value of the unrecognised deferred tax is £21,900 (2014: £27,425).

## 6. Dividends paid and proposed

	2015 £	2014 £
Amounts recognised as distributions to equity holders in the year	544,236	–

During the year ended 31 March 2015, the Directors approved an interim dividend of 3.0p per Ordinary share, which had a record date of 22 August 2015 and a payment date of 5 September 2015.

The Directors recommend a final dividend of 0.6p per Ordinary share to be paid on 30 October 2015 to all Ordinary shareholders on the register as at the close of business on 9 October 2015. The proposed dividend is subject to approval by the shareholders at the Company's 2015 annual general meeting and has not been included as a liability in these financial statements.

## 7. Return per share

	Year ended 31.03.15			Period ended 31.03.14		
	Revenue	Capital	Total	Revenue	Capital	Total
Return per Ordinary share	0.92p	5.48p	6.40p	(0.24)p	3.73p	3.49p
Return per B Ordinary share	(0.04)p	(0.03)p	(0.07)p	n/a	n/a	n/a

Basic revenue return per Ordinary share is based on the net revenue profit from ordinary activities after taxation of £166,193 (2014: £(32,589)) and on 18,141,202 (2014: 13,500,678) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year. Basic capital return per Ordinary share is based on the net capital gain after taxation of £994,610 (2014: £503,688) and on 18,141,202 (2014: 13,500,678) Ordinary shares, being the weighted average number of shares in issue during the year.

Basic revenue return per B Ordinary share is based on the net revenue loss from ordinary activities after taxation for the period from 19 March 2015 (date of first issue of B Ordinary shares) to 31 March 2015 of £(745) (2014: n/a) and on 1,979,400 (2014: n/a) B Ordinary shares, being the weighted average number of shares in issue during the period from 19 March 2015 (date of first issue of B Ordinary shares) to 31 March 2015.

Basic capital return per B Ordinary share is based on the net capital loss after taxation for the period from 19 March 2015 (date of first issue of B Ordinary shares) to 31 March 2015 of £(655) (2014: n/a) and on 1,979,400 (2014: n/a) Ordinary shares, being the weighted average number of shares in issue during the period from 19 March 2015 (date of first issue of B Ordinary shares) to 31 March 2015.

# Notes to the Financial Statements

continued

## 8. Investments

Movements in investments during the period are summarised as follows:

	Shares £	Loan stock £	Total £
Opening valuation:			
Cost at 31 March 2014	7,582,039	2,011,200	9,593,239
Unrealised appreciation at 31 March 2014	608,222	–	608,222
Interest rolled up in fixed income investments	–	150,280	150,280
Valuation at 31 March 2014	8,190,261	2,161,480	10,351,741
Movements in the year:			
Purchases at cost	3,926,913	1,941,600	5,868,513
Unrealised gains on equity investments	1,132,521	(17,475)	1,115,046
Interest forgone on renegotiation of loan investment – revenue	–	(62,160)	(62,160)
Interest rolled up in fixed income investments	–	413,235	413,235
Total movements in year	5,059,434	2,275,200	7,334,634
Closing valuation:			
Cost at 31 March 2015	11,508,952	3,952,800	15,461,752
Unrealised appreciation at 31 March 2015	1,740,743	–	1,740,743
Interest rolled up in fixed income investments	–	483,880	483,881
Valuation at 31 March 2015	13,249,695	4,436,680	17,686,375

During the year, the Company incurred acquisition costs of £20,869 (period ended 31 March 2014: £7,500) and disposal costs of £nil (period ended 31 March 2014: £nil).

As at 31 March 2015, the Company had no arrangements in place to dispose of any of its holdings.

The Company is required to report the category of fair value measurements used in determining the value of its investments, to be disclosed by the source of inputs, using a three-level hierarchy:

### Quoted market prices in active markets – “Level 1”

Inputs to Level 1 fair values are quoted prices in active markets for identical assets. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company has no investments classified in this category.

### Valued using models with significant observable market parameters – “Level 2”

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The Company has no investments classified in this category.

### Valued using models with significant unobservable market parameters – “Level 3”

Inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models).

As such, unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset. The Company's unquoted equities and loan stock are classified within this category. As explained in Note 1, unquoted investments are valued in accordance with the International Private Equity and Venture Capital Association guidelines. The fair value of all investments is assessed by the Company and, where appropriate, a revaluation against cost is made. The basis of revaluation may be based on a sales or profit multiple, or on market information that supersedes that held at the time of acquiring the investment.

# Notes to the Financial Statements

continued

## 9. Significant interests

As at the balance sheet date and from the dates of making the investments the Company has held 3% or more of the Ordinary shares of:

Investment	Percentage equity holding
Boom Cycle (Boom Spin Ltd)	27.6
KX Gym (KX Group Holding Limited)	11.8
Plenish (Plenish Cleanse Ltd)	28.7
Chilango (Mucho Mas Ltd)	3.1
La Bottega (LBID Holdings Limited)	40.0
Dilly & Wolf (Dilly and Wolf Limited)	21.3
Chucs Bar & Grill (Chucs Bar and Grill Limited)	31.5
Second Home (Second Home Ltd)	4.7
Sourced Market (SP Market Limited)	20.7
Kat Maconie (Kat Maconie Limited)	32.0
Troubadour (Troubadour Goods Limited)	44.3
Bella Freud (Bella Freud Ltd)	27.8
Chucs (Chucs Limited)	31.5
Bella Freud Perfume (Bella Freud Parfum Limited)	30.0
Penfield (Penfield Inc Ltd)	5.7
Boat International (Boat International Media Limited)	21.0
Zenos Cars (Zenos Cars Limited)	15.9
Blaze (Smidsy Ltd)	7.8
Stillking Films (2020 Group Limited)	30.0
Premium fast-food restaurant chain (Freston Road Ventures LLP)	4.2

Details of holdings may be found in the Investment Portfolio summary and Investment Review on pages 10 to 21.

## 10. Debtors

	2015 £	2014 £
Amounts falling due within one year:		
Share issue proceeds due from receiving agent	–	1,646,800
Short-term loans and accrued interest	365,633	–
Bank interest accrued	161	864
Sundry debtors and prepayments	79,198	380
	444,992	1,648,044



## Notes to the Financial Statements

continued

### 11. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	96,461	20,379
Sundry creditors and accruals	143,716	212,902
Deferred income	20,030	26,020
Fixed asset investment deferred payment	290,000	520,031
	550,207	779,332

### 12. Called up share capital

	2015 £	2014 £
Allotted, called up and fully paid:		
18,141,202 Ordinary shares of 1p each	181,412	181,412
1,979,400 B Ordinary shares of 1p each	19,794	–
	201,206	181,412

During the year, the Company issued 1,979,400 B Ordinary shares as detailed below:

	Nominal value £	Consideration received £
Allotted, called up and fully paid:		
1,979,400 B Ordinary shares issued on 19 March 2015	19,794	1,979,400

### 13. Reserves

	Share premium £	Special reserve £	Capital reserve (realised) £	Capital reserve (unrealised) £	Revenue reserve £	Total £
As at 31 March 2014	1,599,724	15,988,083	(104,534)	608,222	(32,589)	18,058,906
Share issue	1,959,606	–	–	–	–	1,959,606
Share issue expenses	(39,588)	–	–	–	–	(39,588)
Dividend paid	–	(544,236)	–	–	–	(544,236)
Profit for the period	–	–	(138,566)	1,132,521	166,193	1,160,148
At 31 March 2015	3,519,742	15,443,847	(243,100)	1,740,743	133,604	20,594,836

As at 31 March 2015 the special reserve and revenue reserve were distributable.

## Notes to the Financial Statements

continued

### 14. Net asset value per share

The net asset value per Ordinary share at the period-end was as follows:

	2015 Net asset values attributable Net assets Net assets per share		2014 Net asset values attributable Net assets Net assets per share	
Ordinary shares	£18,857,630	103.95 p	£18,240,318	100.55p
B Ordinary shares	£1,938,412	97.93p	n/a	n/a

Net asset value per Ordinary share is based on net assets at the year end and on 18,141,202 (2014: 18,141,202) Ordinary shares, being the number of Ordinary shares in issue at the year end.

Net asset value per B Ordinary share is based on net assets at the year end and on 1,979,400 B Ordinary shares, being the number of B Ordinary shares in issue at the year end.

### 15. Reconciliation of profit before taxation to net cash outflow from operating activities

	Year ended 31.03.15 £	Period ended 31.03.14 £
Profit before taxation for the period	1,160,148	471,099
Unrealised gains and losses on investments	(1,115,046)	(608,222)
(Increase) in debtors (excluding share issue proceeds)	(51,785)	(1,244)
(Increase) in interest rolled up in fixed income investments	(351,076)	(150,280)
Increase in creditors and accruals (excluding share issue expenses and fixed asset investment balances)	89,046	171,160
Net cash outflow from operating activities	(268,713)	(117,487)

### 16. Analysis of changes in net funds

	£
Cash at bank as at 31 March 2014	7,019,865
Cash flows	(3,804,983)
Cash at bank as at 31 March 2015	3,214,882

### 17. Financial instruments

The Company's financial instruments comprise:

- Equity and fixed-interest investments that are held in accordance with the Company's investment objectives as set out in the Directors' Report; and
- Cash, liquid resources, short-term debtors and creditors that arise directly from the Company's operations.

Investments are made in a combination of equity and loans. Surplus funds are held on bank deposit. It is not the Company's policy to trade in financial instruments or derivatives.

Details of the bases on which financial instruments, including investments, are held may be found at notes 1 and 7.

# Notes to the Financial Statements

continued

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 March 2015:

	As at 31.03.15		As at 31.03.14	
	Cost £	Fair value £	Cost £	Fair value £
<b>Assets at fair value through profit and loss:</b>				
Investment portfolio	15,945,632	17,686,375	9,743,519	10,351,741
Cash at bank	3,214,882	3,214,882	7,019,865	7,019,865
<b>Loans and receivables:</b>				
Short-term loans and accrued interest	365,633	365,633	–	–
Accrued income	161	161	864	864
Other debtors	41,962	41,962	1,646,800	1,646,800
Creditors	(550,207)	(550,207)	(779,332)	(779,332)
	19,018,063	20,758,806	17,631,716	18,239,938

Loans to investee companies are treated as fair value through profit and loss and are included in the investment portfolio. Unquoted investments account for 100% of the investment portfolio by value. The investment portfolio has a 100% concentration of risk towards small UK-based, sterling-denominated companies and represents 85.0% (2014: 56.8%) of net assets at the year end.

All financial liabilities are due within one year and are expected to be settled within six months of the period and in accordance with normal credit terms.

The main risks arising from the Company's financial instruments are credit risk, investment valuation risk, interest rate risk and liquidity risk. All assets and liabilities are denominated in sterling, hence there is no currency risk.

## Credit risk

The Company has exposure to credit risk in respect of its loan stock investments. This risk is managed through the due diligence process adopted when making loan investments to unquoted companies and through regular monitoring of the investee companies by the Investment Adviser. The selection of credit institution at which to hold cash balances is made by the Investment Adviser and monitored by the Board. The credit risk is managed by ensuring cash is held with an institution or institutions with a Standard & Poors long-term credit rating of BBB or better. The maximum exposure to credit risk at the balance sheet date was £8,059,318 (2014: £10,829,009).

## Investment valuation risk

The Board manages the investment valuation risk inherent in the Company's portfolio by maintaining an appropriate spread of risk and by ensuring full and timely access to relevant information from the Investment Adviser. The Board reviews the investment performance and financial results, as well as compliance with the Company's investment objectives. The Board seeks to ensure that an appropriate proportion of the Company's portfolio is invested in cash and readily realisable securities which are sufficient to meet any funding commitments which may arise. The Company does not use derivative instruments to hedge against market risk.

The equity and fixed interest stocks of the Company's unquoted investee companies are very seldom traded and, as such, their prices are more uncertain than those of more frequently traded stocks. It is estimated that a 15% fall in the carrying value of the Company's unquoted investments would reduce profit before tax for the year and the Company's net asset value per share by £2,652,957 and 13.1p (period ended 31 March 2014: £1,552,761 and 8.6p) respectively.

A 15% estimate is considered to be an appropriate illustration given historical volatility and market expectations of future performance.

# Notes to the Financial Statements

continued

## Interest rate risk

The Company's financial assets include loan stock and bank deposits which are interest bearing, at a mix of fixed and variable rates. As a result, the Company is exposed to interest rate risk due to fluctuations in prevailing levels of market interest rates. The Board seeks to mitigate this risk through regular monitoring of the Company's interest bearing investments. The Company does not use derivative instruments to hedge against interest rate risk.

As at 31 March 2015, the Company's financial assets by value, excluding short-term debtors and creditors which are not exposed to interest rate risk, comprised:

Financial assets	£	%	Interest rate	Weighted average interest rate %	Fixed term years
<b>Venture capital investments</b>					
Ordinary shares	13,249,695	62.3	n/a	n/a	n/a
Loan stock	1,264,370	6.0	Fixed	15.0	5.0
Loan stock	1,668,359	7.8	Fixed	12.0	5.0
Loan stock	411,836	2.0	Fixed	12.0	5.0
Loan stock	140,000	0.7	Fixed	7.5	n/a
Loan stock	101,710	0.5	Fixed	12.0	5.0
Loan stock	333,534	1.6	Fixed	12.0	5.0
Loan stock	51,151	0.2	Fixed	12.0	5.0
Loan stock	51,996	0.2	Floating	8.0	5.0
Loan stock	50,328	0.2	Floating	8.0	5.0
Loan stock	52,071	0.2	Floating	11.5	5.0
Loan stock	209,189	1.0	Fixed	12.0	5.0
Loan stock	102,136	0.5	Fixed	12.0	5.0
<b>Short-term loans</b>					
Loan	258,466	1.2	Fixed	12.0	1.5
Loan	107,167	0.5	Floating	12.0	1.0
Bank deposits	3,214,882	15.1	Floating	0.15	n/a
	21,266,890	100.0			

It is estimated that, if the floating interest rate fell to 0%, pre-tax profit for the year would fall by 0.49% (2014: 2.2%) on an annualised basis.

The risk from future fluctuations in interest rate movements should be mitigated by the Company's intention to complete its investment strategy and to hold a majority of its investments in instruments which are not exposed to market interest rate changes.

## Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies that the Company holds are not traded and thus are not readily realisable. At times, the Company may be unable to realise its investments at their carrying values because of an absence of willing buyers. The Company's ability to sell investments may also be constrained by the requirements set down for VCTs. To counter such liquidity risk, sufficient cash and money market funds are held to meet running costs and other commitments.

# Notes to the Financial Statements

continued

## 18. Management of capital

The Board of Directors considers the Company's net assets to be its capital and the Company does not have any externally imposed capital requirements.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, satisfy the relevant HMRC requirements and provide at least adequate returns for shareholders.

As a VCT, the Company must have, and must continue to have, within three years of raising its capital at least 70% by value of its investments in VCT qualifying holdings which are a relatively high risk asset class of small UK companies. In satisfying this requirement, the Company's capital management scope is restricted. Subject to this restriction, the Company directs investment policy and may adjust dividends, return capital to shareholders, issue new shares or sell assets to maintain the level of liquidity to remain a going concern.

## 19. Post-balance-sheet events

Since 31 March 2015 the Company has made investments of £2,176,425, of which £205,000 represented a new investment and £1,971,425 follow-on investments in existing holdings.

A further allotment of 2,171,720 B Ordinary shares was made on 2 April 2015 for a consideration of £2,171,720.

A further allotment of 1,175,000 B Ordinary shares was made on 9 June 2015 for a consideration of £1,175,000.

A further allotment of 410,000 B Ordinary shares was made on 29 July 2015 for a consideration of £410,000.

The offer for B Ordinary shares closed to new applications on 29 July 2015.

## 20. Geographical analysis

The operations of the Company are wholly in the United Kingdom.

## 21. Transactions with the Investment Adviser

The Company retains Oakley Investment Managers LLP ("OIM") as its Investment Adviser.

Peter Dubens, a non-executive Director of the Company, is a member of OIM. During the year ended 31 March 2015 £151,561 was payable to OIM for investment adviser services of which £68,753 was owed to OIM at the year end (period ended 31 March 2014: £129,379 to Oakley Capital Management Limited ("OCML"), of which £71,004 was owed at the period end). During the year OIM paid expenses on behalf of the Company amounting to £nil (period ended 31 March 2014: £276,965 paid by OCML), of which £nil (2014: £11,220) was outstanding at the year end.

Palmer Capital LLP ("Palmer"), of which Peter Dubens is a member, acted as promoter for the offer during the year.

The fees in the year amounted to £39,588 (period ended 31 March 2014: £362,824) out of which Palmer cover the costs of the offer. At the year end Palmer owed the Company, after adjustment of offer costs, £41,962 (2014: The Company owed Palmer £78,984).

The number of Ordinary shares (all of which are held beneficially) by employees of OIM or OCML are:

		31 March 2015 Ordinary shares held	31 March 2015 B Ordinary shares held	31 March 2014 Ordinary shares held
Peter Dubens	Director	400,000	200,000	400,000
Kathy Jackson	Investment Adviser	–	–	60,000
Stewart Porter	Investment Adviser	75,000	–	75,000

Kathy Jackson left OCML during the year.

OIM receives the following fees from companies invested in by the Company:

Investee company	Fees received	31 March 2015 £	31 March 2014 £
Plenish Cleanse Ltd	Directors' fees	6,667	7,731
Kat Maconie Limited	Directors' fees	10,000	15,000
LBID Holdings Limited	Directors' fees	15,000	15,000

# Notice of Annual General Meeting

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Notice is hereby given that the second Annual General Meeting of Pembroke VCT plc will be held at 11.00 am on 24 September 2015 at 3 Cadogan Gate, London SW1X 0AS for the purpose of considering and, if thought fit, passing the following Resolutions (of which, Resolutions 1 to 7 will be proposed as Ordinary Resolutions and Resolutions 8 and 9 will be proposed as Special Resolutions):

## Ordinary Business

1. To receive and approve the Directors' and the Independent Auditor's Reports and the Company's financial statements for the year ended 31 March 2015.
2. To approve a final dividend of 0.6p per Ordinary share in respect of the year ended 31 March 2015 with a payment date of 30 October 2015 and a record date of 9 October 2015.
3. To receive and approve the Directors' Remuneration Report for the year ended 31 March 2015.
4. To re-appoint Grant Thornton UK LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
5. To authorise the Directors to fix the remuneration of the auditor.
6. To re-elect Peter Dubens as a Director of the Company.
7. (i) That the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal value of 10% of the Company's aggregate issued Ordinary and B Ordinary share capital from time to time during the period commencing on the passing of this resolution and expiring on the earlier of the date of the annual general meeting of the Company to be held in 2016 and the date which is 15 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry; and  
(ii) That all previous authorities given to the Directors in accordance with section 551 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

# Notice of Annual General Meeting

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continued

## Special Resolutions

8. The Directors be and are hereby empowered pursuant to section 570 and 573 of the Act to allot or make offers or agreements to allot equity securities as defined in section 560 of the Act for cash pursuant to the authority given pursuant to Resolution 7 set out in this notice of Annual General Meeting as if section 561(1) of the Act did not apply to such allotment provided that this power shall expire on the date falling 15 months after the date of the passing of this resolution and provided further that this power shall be limited to the allotment and issue of equity securities in connection with:
  - (i) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10% of the Company's aggregate issued Ordinary and B Ordinary share capital where the proceeds of the allotment may be used in whole or in part to purchase the Company's Ordinary shares, and
  - (ii) the allotment of equity securities from time to time with an aggregate nominal value of up to but not exceeding 5% of the aggregate issued Ordinary and B Ordinary share capital of the Company.
9. That the Company be and is hereby generally and unconditionally authorised within the meaning of section 701 of the Act to make market purchases of Ordinary and B Ordinary shares of 1p each in the capital of the Company ("Ordinary and B Ordinary shares") provided that:
  - (i) the maximum number of Ordinary and B Ordinary shares hereby authorised to be purchased is an amount equal to 14.99% of the issued Ordinary and 14.99% of the issued B Ordinary share capital of the Company from time to time;
  - (ii) the minimum price which may be paid for an Ordinary or B Ordinary share is 1p per share, the nominal amount thereof;
  - (iii) the maximum price which may be paid for an Ordinary or B Ordinary share is an amount equal to 105% of the average of the middle market prices shown in the quotations for an Ordinary or B Ordinary share as applicable in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased;
  - (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the Annual General Meeting of the Company to be held in 2016 and the date which is 15 months after the date on which this resolution is passed; and
  - (v) the Company may make a contract or contracts to purchase its own Ordinary or B Ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of its own Ordinary or B Ordinary shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

By Order of the Board

The City Partnership (UK) Limited  
Secretary  
31 July 2015

# Notice of Annual General Meeting

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continued

## Notes

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and paragraph 18(c) of The Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, only shareholders registered in the register of members of the Company as at 11.00 am on 22 September 2015 (48 hours, excluding non-working days, before the time appointed for the meeting) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered in the register of members in order to have the right to attend and vote at the adjourned meeting is 48 hours before the time of any adjourned meeting.
2. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend and vote at the meeting and you should have received a Form of Proxy with this notice of meeting. You can appoint a proxy only by using the procedures set out in these notes and the notes to the Form of Proxy. A proxy does not need to be a member of the Company but must attend the meeting to represent you.
3. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy must be deposited by 11.00 am on 22 September 2015, or if this meeting is adjourned, by no later than 48 hours, excluding non-working days, prior to the time and date set for the adjourned meeting, using one of the following methods:
  - By sending a signed completed hard copy of the Form of Proxy to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL; or
  - By sending a legible scan of the completed hard copy of the Form of Proxy to [proxies@shareregistrars.uk.com](mailto:proxies@shareregistrars.uk.com).
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you should photocopy the Form of Proxy. Please indicate alongside the proxy holder's name, the number of shares in relation to which they are authorised to act as your proxy. The notes to the Form of Proxy explain how to direct your proxy to vote on each resolution or withhold their vote.
5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
6. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:
  - By sending hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice; or
  - By sending an email, clearly stating your intention to revoke your proxy appointment, to [proxies@shareregistrars.uk.com](mailto:proxies@shareregistrars.uk.com).
7. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.
8. The issued share capital of the Company at the date of this notice is 18,141,202 Ordinary shares and 5,736,120 B Ordinary shares, therefore the total number of voting rights in the Company as at the date of this notice is 23,877,322.
9. The following documents are available for inspection at the registered office of the Company:
  - The Directors' letters of appointment
  - Register of the Directors' interests in the share capital of the Company.
10. You may not use any electronic address provided either in this notice of meeting or any related documents, to communicate with the Company for any purposes other than those expressly stated.



## Corporate Information

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### Directors (all non-executive)

#### Independent

Jonathan Simon Djanogly (Chairman)  
Laurence Charles Neil Blackall

#### Not independent

Peter Adam Daiches Dubens

### All of the registered office and principal place of business

3 Cadogan Gate  
London  
SW1X 0AS  
[www.pembrokevct.com](http://www.pembrokevct.com)

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### Investment Adviser

Oakley Investment Managers LLP  
3 Cadogan Gate  
London  
SW1X 0AS

### Secretary

The City Partnership (UK) Limited  
Thistle House  
21 Thistle Street  
Edinburgh  
EH2 1DF  
Telephone: 0131 243 7210

### Independent Auditor

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2P 2YU

### Registrar

The City Partnership (UK) Limited  
c/o Share Registrars Limited  
Suite E, First Floor  
9 Lion and Lamb Yard  
Farnham  
Surrey  
GU9 7LL

### Bankers

Barclays Bank plc  
1st Floor  
99 Hatton Garden  
London  
EC1N 8DN

### VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

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## Reporting Calendar

for year ending 31 March 2016

Results announced:

Interim – October 2015

Annual – July 2016

For your notes

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VCT plc

3 Cadogan Gate, London SW1X 0AS

Incorporated in England and Wales  
with registered number 08307631