pembroke VCT plc

ANNUAL REPORT
AND FINANCIAL STATEMENTS

for the year ended 31 March 2016

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Financial Summary and Investment Objective

Financial Summary	Year ended 31.03.16 Ordinary shares	Year ended 31.03.16 B Ordinary shares	Year ended 31.03.16 total	Year ended 31.03.15 Ordinary shares	Period ended 31.03.15* B Ordinary shares	Year ended 31.03.15 total
Net assets	£20,124,959	£8,558,027	£28,682,986	£18,857,630	£1,938,412	£20,796,042
Number of shares in issue	18,091,202	8,116,777	26,207,979	18,141,202	1,979,400	20,120,602
Net asset value per share	111.24p	105.44p	109.44p	103.95p	97.93p	103.36p
Investment income	£621,233	£183,441	£804,674	£496,083	–	£496,083
Profit on ordinary activities before tax						
Revenue	£368,902	£103,031	£471,933	£166,938	£(745)	£166,193
Capital	£1,088,170	£530,538	£1,618,708	£994,610	£(655)	£993,955
Total	£1,457,072	£633,569	£2,090,641	£1,161,548	£(1,400)	£1,160,148
Return per share						
Revenue	1.72p	1.47p	n/a	0.92p	(0.04)p	n/a
Capital	6.17p	9.32p	n/a	5.48p	(0.03)p	n/a
Total	7.89p	10.79p	n/a	6.40p	(0.07)p	n/a

**Period ended 31 March 2015 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 provide the opportunity for value appreciation.

The Board of Directors of the Company (the "Board") believe 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

I am pleased to present my report for the year ended 31 March 2016.

Having been fully invested in our Ordinary share offer at the beginning of the year, we have successfully deployed the proceeds of our first B Ordinary share offer which commenced in September 2014. The second B Ordinary offer opened in October 2015 and at 31 March 2016 had raised £5.4 million with the offer remaining open to new investors until September 2016.

During the period the Total Return (net asset value ("NAV") plus cumulative dividends paid) of the Ordinary shares rose from 106.95p per share at 31 March 2015 to 114.84p per share at 31 March 2016. Over the same period the Total Return of the B Ordinary shares rose from 97.93p to 105.44p.

Investment Overview

During the year we have made two new investments (ME+EM, Cheekfrills) and seen the opportunity to profitably re-invest in a further fourteen constituents of our existing portfolio. There have been a number of revaluations across the portfolio with the overall impact, including new investments from the B Ordinary share offer, being a rise in the total value of investments (including accrued income) from £17.7 million to £24.5 million, of which organic growth constituted £2.7 million. For further details please see the Investment Adviser's Review and Investment Portfolio on pages 8 to 11.

Dividends

In October 2015 the Company paid a dividend of 0.6 pence per Ordinary share. The Board now recommends that the shareholders approve, at the forthcoming Annual General Meeting, the payment of a further dividend of 2 pence per Ordinary share and 2 pence per B Ordinary share.

Results

The Company made a profit of £2.1 million in the year to 31 March 2016 (year ending 31 March 2015: £1.2 million), representing a weighted profit per Ordinary share of 7.89p (6.40p) 2015: and per B Ordinary share of 10.79p (loss of 0.07p). Income arose from the unrealised revaluation of investments of £1.8 million (£1.1 million) and interest income, principally from loan notes provided to a number of the portfolio companies, of £0.8 million (£0.5 million). This was offset by Company expenses and Investment Adviser fees amounting, in total, to £0.5 million (£0.5 million). Total expenses in the Company (including Investment Adviser fees) are capped at 0.5% of NAV per quarter.

NAV at 31 March 2016 was £28.7 million (£20.8 million), equivalent to 111.24p (103.95p) per Ordinary share and 105.44p (97.93p) per B Ordinary share. This includes the cost to NAV of the issue expenses of the offer, which were fixed at 2% of the gross proceeds raised.

Outlook

Funds raised from the latest 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 to date in the Ordinary and B Ordinary share funds.

As mentioned in my letter to Shareholders in the Prospectus 2015, a number of changes to the VCT Rules were enacted in December 2015 to restrict the types of companies that VCTs can invest in. These primarily aimed to alter the behaviour of VCT funds which were increasingly helping to facilitate management buyouts and deploy later-stage 'replacement capital'. Given Pembroke's historic focus on growing early stage companies, the Board is comfortable that the underlying strategy of the Company is unaffected by these changes. For Pembroke VCT, it remains 'business as usual'.

Annual General Meeting

The Annual General Meeting ("AGM") will be held at Oakley Capital Management's offices at 3 Cadogan Gate, London SW1X 0AS on 29 September 2016 at 11.00 am.

Jonathan Djanogly
Chairman

29 July 2016

The Board

Jonathan Djanogly

Independent non-executive Chairman

Jonathan is a non-practising 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 from 2013 to 2015 he was a consultant at international law firm, King & Wood Mallesons LLP.

Laurence Blackall

Independent non-executive Director

Laurence has had a 30-year career in the information, media and communication industries. After an early career at Virgin and the SEMA Group he was a director of Frost & Sullivan before moving to McGraw Hill where he was a vice-president in its computer and communications group. He then went on to found AIM listed Internet Technology Group plc in 1995 and successfully negotiated its sale in 2000 for a consideration of almost £150 million. Laurence was also instrumental in the creation of Pipex Communications plc. He has interests in a range of leisure and TMT businesses and currently holds a number of directorships in public and private UK companies. He is a Governor of the University of Kingston.

Peter Dubens

Non-independent non-executive Director

Peter is an entrepreneur, best known for founding 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.

Oakley Capital Private Equity invests and supports the continued growth and development of some of Europe's leading companies, including the global multimedia platform TimeOut; the iconic sailing brand, North Sails; and Facile, Italy's leading price comparison website. Oakley Capital currently advises Oakley Fund I (€287 million), Oakley Fund II (€524 million) and Oakley Fund III (in excess of €500 million), generating strong returns for its Limited Partners as well as Oakley Capital Investments Limited, a London, AIM-listed investment vehicle that invests in Oakley's private equity funds.

Peter is also the founding partner of PROfounders Capital a venture capital fund for entrepreneurs powered by entrepreneurs who invest in and support new businesses in the mobile, internet and technology space with capital, proactive advice and expertise in order to create long term value and promote entrepreneurism.

Peter has been a consistent supporter of small entrepreneurial endeavours through both Pembroke VCT and personal investments. Oakley established the Company in 2013 to support the development of smaller, early stage high growth businesses. Peter has a particular focus on deal origination in relation to the Company.

Investments

Overview

The Company has made two new investments and made follow-on investments in fourteen companies in the year to 31 March 2016, spanning the Company's expertise in the health and fitness, hospitality, apparel and accessories, and media and technology sectors. At the year end, the portfolio comprised twenty two investments with a cost of £19.7 million and a fair value of £23.3 million, representing an 18.3% increase over cost.

Portfolio Review

The Company invested £0.4 million in the two new investments made during the year and has invested a further £4.8 million in the form of debt and equity investments in the fourteen existing portfolio companies. The two new investments are in ME+EM and Cheekfrills, both of which were unquoted, with investments made in the form of new ordinary equity with full voting rights. The fourteen follow-on investments comprise seven further equity commitments to support further growth in Plenish, Dilly & Wolf, Chilango, Chucs Bar & Grill, Second Home, Troubadour and Penfield, alongside the extension of loans to provide working capital to ten investee companies.

Having taken a small equity position in Cheekfrills during the year, it became apparent that despite its strong list of retail partners the founders were unable to develop the business within the constraints of the fashion cash cycle. In December 2015 it was decided to place the business into administration and reflect this here as a write off of our initial investment of £0.2 million.

Since the year end the Company has made investments totalling £1.8 million in eleven companies including two new investments totalling £0.5 million and eleven follow-on investments of £1.3 million.

The new investments included £0.3 million in April 2016 in Bel-Air Inc., a London-based but Californian-styled premium delicatessen concept that serves the breakfast and lunch needs of workers in London's financial and creative districts. Its distinctive market positioning in an area of strong growth in the lunchtime dining market make it a promising vehicle for furthering Pembroke's exposure in the food and beverage sector. The second investment of £0.2 million was in a new fashion brand which uniquely allies distinctive styling with well-known and respected celebrity design exposure. Both investments were made by the B Ordinary share fund.

Post year end the B Ordinary share fund also invested £1.4 million in existing portfolio companies including Plenish (£0.1 million), Penfield (£0.2 million), Bella Freud Parfum (£30,000), Chucs Bar & Grill (£0.4 million), Rated People (£0.1 million), Zenos (£25,000), Blaze (£0.1 million), Dilly & Wolf (£25,000) and Boat International (£0.4 million).

Investment Performance

Companies that have performed particularly well during the period and which justify upward revaluations include Plenish, which continued its strong growth of 2014-15 and in the process raise additional funds from new investors at a notably increased valuation. Five Guys, the premium fast-food restaurant chain, has performed exceptionally well, with continued roll-out across the UK ending with forty one sites at the end of our financial year and accounting for further value uplift of the equity attached to the loan note. We have also seen Second Home, the innovative workspace provider, watch take-up of their existing space extend into blue chip corporates, with plans for a second site well advanced. Chilangos has also seen its valuation increase in response to profitable extensions to its existing network to ten restaurants, with Manchester spearheading the brand's regional roll-out.

Owing to their trading performance, we have also assessed the fair value of Boom Cycle and Stillking Films to be higher than at March 2015. A number of our portfolio investments have had further funding rounds conducted at a premium to the previous price at which they were last valued, with the result that we have also revalued upwards; prominent examples include Rated People and Second Home.

Conversely, the turnaround at Chucs retail has taken longer than expected to deliver the wholesale revenues anticipated. Post the year end the company appointed Ben Mears, a highly experienced menswear designer, to the position of CEO. He has already begun to make significant improvements to the design, merchandising and channel mix of the brand. While the initial signs are encouraging, it is too early to recognise this in the valuation of the business, so the equity in this investment remains at nil value in line with December 2015. La Bottega, which operates in the casual dining sector, has responded to increasing competition from new operators and rent increases on several of its London sites by closing less profitable stores while reinvesting in others to improve ambience, the quality of the food offering and to extend opening hours to capitalise on the evening licensed trade. While this strategy takes root we have revalued the business downwards. A new funding round has been conducted at a discount at Penfield due to underperformance. Boat International continues to benefit from its repositioning as a luxury lifestyle leader meaning an improved enterprise valuation, with equity valuations impacted by the company taking advantage of new loan facilities.

Four investments are held at cost (Dilly & Wolf, Bella Freud Parfum, Zenos, Blaze) which we consider to be fair value, given that evidence of significant movement from the original investment appraisal has not yet been observed. Further details may be found in the Investment Portfolio and Investment Review on pages 10 to 23.

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 2016

Ordinary shares	As at 31.03.16			As at 31.03.15		
	Cost £	Fair value £	% of net assets	Cost £	Fair value £	% of net assets
Health and Fitness						
Boom Cycle	429,460	412,487	2.1	388,562	388,562	2.1
KX Gym	700,000	733,344	3.7	700,000	724,027	3.8
Plenish	325,000	1,392,664	6.9	325,000	594,413	3.2
Dilly & Wolf	270,000	270,000	1.3	170,000	170,000	0.9
Hospitality						
Chilango	549,850	729,792	3.6	549,850	695,040	3.7
Five Guys UK	1,512,800	3,211,687	16.0	1,512,800	3,025,203	16.0
La Bottega	1,960,000	1,090,000	5.4	1,960,000	1,393,249	7.4
Chucs Bar & Grill	614,278	822,170	4.1	614,278	822,221	4.4
Second Home	525,074	1,433,633	7.1	525,074	833,349	4.4
Sourced Market	830,000	760,353	3.8	830,000	1,032,205	5.5
Apparel and Accessories						
Kat Maconie	320,000	711,233	3.5	420,000	840,955	4.5
Troubadour Goods	590,000	1,106,265	5.5	590,000	590,000	3.1
Bella Freud	400,000	983,333	4.9	350,000	685,356	3.6
Chucs	990,039	340,000	1.7	990,039	340,000	1.8
Bella Freud Perfume	190,000	190,000	0.9	140,000	140,000	0.7
Penfield	614,400	404,817	2.0	364,400	291,564	1.6
Media and Technology						
Boat International Media	2,100,000	1,315,824	6.5	2,100,000	2,100,000	11.1
Rated People	585,738	486,053	2.4	489,978	44,030	0.2
Zenos Cars	500,000	500,000	2.5	500,000	550,550	2.9
Blaze	200,000	200,000	1.0	490,000	490,000	2.6
Stillking Films	1,451,770	1,542,641	7.7	1,451,770	1,451,770	7.7
Investments before interest	15,658,409	18,636,296	92.6	15,461,751	17,202,494	91.2
Interest rolled up in fixed income investments*	1,099,753	1,099,753	5.5	483,881	483,881	2.6
Total investments	16,758,162	19,736,049	98.1	15,945,632	17,686,375	93.8
Net current assets	388,910	388,910	1.9	1,171,255	1,171,255	6.2
Net assets	17,147,072	20,124,959	100.0	17,116,887	18,857,630	100.0

Added to investments in Financial Statements

Investment Portfolio as at 31 March 2016 continued

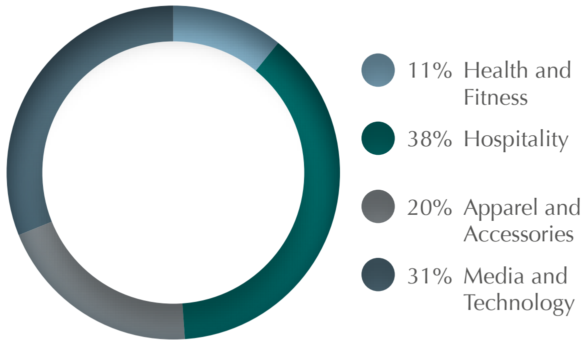
B Ordinary shares	As at 31.03.16			As at 31.03.15		
	Cost £	Fair value £	% of net assets	Cost £	Fair value £	% of net assets
Health and Fitness						
Plenish	250,000	250,000	2.9	–	–	–
Dilly & Wolf	100,000	100,000	1.2	–	–	–
Hospitality						
Chilango	85,000	85,000	1.0	–	–	–
Five Guys UK	570,400	1,211,124	14.2	–	–	–
La Bottega	250,000	250,000	2.9	–	–	–
Chucs Bar & Grill	375,011	375,011	4.4	–	–	–
Second Home	510,034	662,072	7.7	–	–	–
Sourced Market	250,000	250,000	2.9	–	–	–
Apparel and Accessories						
Troubadour Goods	150,000	150,000	1.8	–	–	–
Penfield	324,733	232,790	2.7	–	–	–
Cheekfrills	205,000	–	–	–	–	–
ME+EM	200,000	289,028	3.4	–	–	–
Media and Technology						
Boat International Media	500,000	500,000	5.8	–	–	–
Blaze	290,000	290,000	3.4	–	–	–
Investments before interest	4,060,178	4,645,025	54.3	–	–	–
Interest rolled up in fixed income investments*	124,197	124,197	1.4	–	–	–
Total investments	4,184,375	4,769,222	55.7	–	–	–
Net current assets	3,788,805	3,788,805	44.3	1,938,412	1,938,412	100.0
Net assets	7,973,180	8,558,027	100.0	1,938,412	1,938,412	100.0

Added to investments in Financial Statements

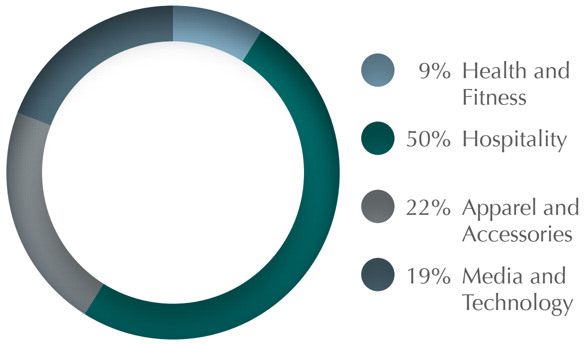
Segment analysis

The charts below show the segment analyses of the investment portfolio based on cost at 31 March 2016.

Pembroke Ordinary



Pembroke B Ordinary



Investment Review as at 31 March 2016

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 London (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	£429,460
Valuation	£412,487
Interest rolled up in fixed income investment	£nil
Basis of valuation	Multiples
Equity holding	27.7%
Investment in the year at cost	£40,897
Total income recognised in the year	£1,017
Short term loans and accrued interest	£26,017

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.

Cost	£700,000
Valuation	£733,344
Interest rolled up in fixed income investment	£nil
Basis of valuation	Multiples
Equity holding	11.8%
Investment in the year at cost	£nil
Total income recognised in the year	£nil
Short term loans and accrued interest	£nil

Year to 31.12.15
Revenue £9.3m | **Profit before tax** £(2.3)m | **Net assets** £5.4m

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 as at 31 March 2016 continued

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. The company is currently selling through two main channels: online and through select retailers (e.g. Ocado, Selfridges, Planet Organic, Harvey Nichols).

Cost	£575,000
Valuation	£1,642,664
Interest rolled up in fixed income investment	£6,003
Basis of valuation	Last equity raise
Equity holding	31.4%
Investment in the year at cost	£250,000
Total income recognised in the year	£12,024
Short term loans and accrued interest	£nil

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 Sainsburys, Ocado and Natural Kitchen, with plans to extend the range.

Cost	£370,000
Valuation	£370,000
Interest rolled up in fixed income investment	£19,193
Basis of valuation	Last equity raise
Equity holding	27.0%
Investment in the year at cost	£100,000
Transferred from short term to long term loans in year	£100,000
Total income recognised in the year	£12,026
Short term loans and accrued interest	£nil

Hospitality

Chilango

Chilango is a fast-casual Mexican restaurant chain concept based on successful US business models. There are currently ten restaurants: Upper Street, Fleet Street, Chancery Lane, London Wall, Brushfield Street, Monument, Camden, London Bridge and Leather Lane, plus a newly opened Manchester outlet that forms the basis for the brand's regional roll-out.

Cost	£634,850
Valuation	£814,792
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	3.0%
Investment in the year at cost	£85,000
Total income recognised in the year	£nil
Short term loans and accrued interest	£nil

Five Guys UK

Five Guys was founded in the US. The company serves a range of hand-made burgers made with fresh locally sourced beef and cooked on a grill, along with fresh-cut fries, served with unlimited toppings. It now has 49 outlets in the UK with plans for further growth.

Cost	£2,083,200
Valuation	£4,422,811
Interest rolled up in fixed income investment	£408,592
Basis of valuation	Multiples
Equity holding	4.2%
Investment in the year at cost	£570,400
Total income recognised in the year	£253,053
Short term loans and accrued interest	£nil

Investment Review as at 31 March 2016 continued

La Bottega

La Bottega is an Italian chain of delicatessens in London, which serve high-quality authentic Italian food and coffee. Currently there are five shops trading in London, Chelsea, Belgravia, South Kensington, Ryder Street and Pont Street.

Cost	£2,210,000
Valuation	£1,340,000
Interest rolled up in fixed income investment	£470,075
Basis of valuation	Multiples
Equity holding	40.0%
Investment in the year at cost	£250,000
Total income recognised in the year	£215,867
Short term loans and accrued interest	£154,142

Chucs Bar & Grill

Chucs Bar & Grill is a restaurant concept reflecting the 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. A second site successfully opened on Westbourne Grove in February 2016.

Cost	£989,289
Valuation	£1,197,181
Interest rolled up in fixed income investment	£77,758
Basis of valuation	Last equity raise
Equity holding	26.6%
Investment in the year at cost	£375,011
Total income recognised in the year	£44,158
Short term loans and accrued interest	£301,085

Hospitality 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 short, medium and long term.

Cost	£1,035,108
Valuation	£2,095,705
Interest rolled up in fixed income investment	£7,839
Basis of valuation	Current equity raise
Equity holding	5.5%
Investment in the year at cost	£510,034
Total income recognised in the year	£7,839
Short term loans accrued interest	£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. The company's flagship site is in St Pancras International in King's Cross and has been complemented by a second destination site in Marylebone.

Cost	£1,080,000
Valuation	£1,010,353
Interest rolled up in fixed income investment	£1,644
Basis of valuation	Multiples
Equity holding	20.7%
Investment in the year at cost	£250,000
Total income recognised in the year	£1,644
Short term loans and accrued interest	£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	£320,000
Valuation	£711,233
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	23.9%
Investment in the year at cost	£nil
Total income recognised in the year	£3,255
Short term loans and accrued interest	£nil
Long term loan repaid in year	£100,000

Troubadour

Troubadour Goods is a London-based luxury men's accessories brand specialising in designing and creating superior handcrafted leather goods.

Cost	£740,000
Valuation	£1,256,265
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	44.4%
Investment in the year at cost	£150,000
Total income recognised in the year	£nil
Short term loans and accrued interest	£nil

Apparel and Accessories 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 US.

Cost	£400,000
Valuation	£983,333
Interest rolled up in fixed income investment	£15,668
Basis of valuation	Equity raise and multiples
Equity holding	27.8%
Investment in the year at cost	£50,000
Total income recognised in the year	£29,070
Short term loans accrued interest	£515,726

Bella Freud Perfume

With the continuing 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, including 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	£190,000
Valuation	£190,000
Interest rolled up in fixed income investment	£12,733
Basis of valuation	Cost
Equity holding	30.0%
Investment in the year at cost	£50,000
Total income recognised in the year	£10,662
Short term loans accrued interest	£nil

Chucs

Chucs is a luxury brand of men's leisure wear. Chucs is currently sold through its retail stores on Dover Street and Westbourne Grove in London and its seasonal store in St Tropez.

Cost	£990,039
Valuation	£340,000
Interest rolled up in fixed income investment	£43,762
Basis of valuation	Multiples
Equity holding	31.5%
Investment in the year at cost	£nil
Total income recognised in the year	£56,847
Short term loans accrued interest	£247,274

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	£939,133
Valuation	£637,607
Interest rolled up in fixed income investment	£49,839
Basis of valuation	Last equity raise
Equity holding	8.7%
Investment in the year at cost	£324,733
Transferred from short term to long term loans in year	£250,000
Total income recognised in the year	£41,373
Short term loans accrued interest	£nil

Year to 31.12.14:
Revenue £8.6m | **Profit before tax** £(0.8)m | **Net assets** £1.4m

Apparel and Accessories continued

Cheekfrills

Cheekfrills, founded in 2012, is a women's underwear brand which focuses on premium everyday knickers. The company first launched with a range of knickers and soon expanded to include other undergarments including: vests, pyjamas, bralets, robes, shorts and chemises. The company entered administration in December 2015.

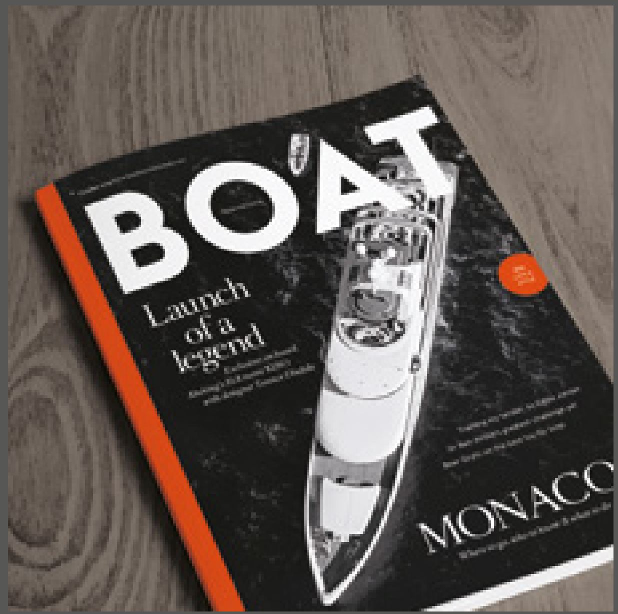
Cost	£205,000
Valuation	£nil
Interest rolled up in fixed income investment	£nil
Basis of valuation	Cost less impairment
Equity holding	n/a
Investment in the year at cost	£205,000
Total income recognised in the year	£nil
Short term loans and accrued interest	£nil

ME+EM

ME+EM, founded in 2008, is a contemporary womenswear brand founded by Claire Hornby, designing and producing its collections primarily through catalogues and online, with one retail site in Connaught Street. The range now consists of dresses, knitwear, denim, separates and accessories. The brand targets women aged 30-55 who are busy and fashion conscious, offering a classic authentic look with designer quality at an affordable price.

Cost	£200,000
Valuation	£289,028
Interest rolled up in fixed income investment	£nil
Basis of valuation	Multiples
Equity holding	5.1%
Investment in the year at cost	£200,000
Total income recognised in the year	£nil
Short term loans and accrued interest	£nil

Media and Technology



Boat International Media

Recognised as a significant worldwide media group serving the superyacht industry, Boat International Media provides information and services across traditional print, digital media and high quality events. In 2014 / 2015 the team re-launched the new Boat International and Show Boats magazines, and a new digital website.

Cost	£2,600,000
Valuation	£1,815,824
Interest rolled up in fixed income investment	£110,844
Basis of valuation	Multiples
Equity holding	21.6%
Investment in the year at cost	£500,000
Total income recognised in the year	£106,215
Short term loans and accrued interest	£507,200

Year to 31.12.15:
Revenue £10.2m | **Profit before tax** £(3.1)m | **Net assets** £6.2m

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.

Cost	£585,738
Valuation	£486,053
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	1.5%
Investment in the year at cost	£95,760
Total income recognised in the year	£nil
Short term loans and accrued interest	£nil

Year to 31.12.15:
Revenue £11.3m | **Profit before tax** £(2.1)m | **Net assets** £(1.4)m

Media and Technology continued

Zenos Cars

Zenos Cars has created lightweight sports cars that provide thrilling driveability and performance at an affordable price point. Zenos is led by Mark Edwards, previously chief operating officer of Caterham cars. The first E10 sports car has successfully been produced and received excellent reviews from relevant automobile publications.

Cost	£500,000
Valuation	£500,000
Interest rolled up in fixed income investment	£nil
Basis of valuation	Cost
Equity holding	11.5%
Investment in the year at cost	£nil
Total income recognised in the year	£6,214
Short term loans and accrued interest	£156,214

Blaze

Blaze designs products which enhance bike safety. Their flagship product is the Blaze Laserlight, which projects a laser image five to six metres on the ground ahead of the cyclist to ensure other road users know that you are present. The company is entering the global cycle hire market with a broadened product offer.

Cost	£490,000
Valuation	£490,000
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	7.6%
Investment in the year at cost	£290,000
Total income recognised in the year	£nil
Short term loans and accrued interest	£nil

Media and Technology continued

Stillking Films

Stillking 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	£1,542,641
Interest rolled up in fixed income investment	£nil
Basis of valuation	Multiples
Equity holding	5.0%
Investment in the year at cost	£nil
Total income recognised in the year	£nil
Short term loans and accrued interest	£nil

Statutory Reports

Strategic Report

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.

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 (page 8). Details of the investments made by the Company are given in the Investment Portfolio summary (pages 8 and 9) and the Investment Review report (pages 12 to 23). A summary of the Company's key financial measures is given on page 4.

Management agreement

Under an investment management agreement entered into on 15 February 2013, novated to the Investment Adviser in July 2014 and variation on 3 October 2014 (the "IMA"), the Investment Adviser provides discretionary and advisory investment management services to the Company in respect of its portfolio of investments.

Under the IMA, the Investment Adviser and the Company have agreed to fix the annual running costs of the Company at 2.0% of the Company's net asset value (and to the extent that they exceeded that cap, the Investment Adviser would bear those costs). The Investment Adviser is entitled to an annual management fee of the amount by which the annual running costs (other than the annual management fee) are less than 2.0%. It is therefore expected that the annual running costs payable by the Company each year will be 2.0% of its net asset value. The annual management fee is payable quarterly in advance based on projected Annual Running Costs and subject to a final balancing adjustment payment either way. 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 (i) the date of the last allotment under the offer of B Ordinary shares on the basis of the October 2014 prospectus in respect of shares issued under that prospectus or (ii) the date of the issue of relevant B Ordinary shares under any subsequent offer of B Ordinary shares, and in either case up to the date of proposed payment of the relevant Performance Incentive Fee. Where, at the time of a distribution there have been previous distributions to the relevant class of shareholders, for the purposes of determining if the hurdle on the relevant shares has been met, the return will be calculated from the day after the previous distribution date for the relevant shares on the total amount subscribed per relevant share by shareholders but reduced by the aggregate amount of such previous distributions made on the relevant shares on a per share basis. The performance fee will be calculated separately on the Ordinary shares and the B Ordinary shares.

For example, in respect of Ordinary shares, once total paid or declared dividends have reached £1.00 per Ordinary share plus 8p per Ordinary share per annum, the Investment Adviser will be paid 20% (exclusive of VAT) of any amounts distributed to shareholders in excess of £1.00 per Ordinary share, with the remaining 80% being distributed as a dividend to Ordinary shareholders.

In respect of B Ordinary shares, once total paid or declared dividends have reached £1.00 per B Ordinary share plus 3p per B Ordinary share per annum, the Investment Adviser 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 year under review and intend to continue to do so.

Risk management

The Board has carried out a robust assessment of the principal risks facing the Company through a risk management programme whereby it continually identifies the principal risks and uncertainties faced by the Company, including those that would threaten its business model, future performance, solvency or liquidity 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 Philip Hare & Associates 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 year 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.

Statement on Long Term Viability

In accordance with the revisions to the UK Corporate Governance Code in 2014 (the "2014 Code"), the Directors have carried out a robust assessment of the prospects of the Company for the period to 31 March 2019, taking into account the Company's current position and principal risks, and are of the opinion that, at the time of approving the financial statements there is a reasonable expectation that the Company will be able to continue in operation and meet liabilities as they fall due.

The Directors consider that for the purpose of this exercise a three year period is an appropriate time frame, as it allows for reasonable forecasts to be made to allow the Board to provide shareholders with reasonable assurance over the viability of the Company. In making their assessment the Directors have taken into account the nature of the Company's business and investment policy, its risk management policies, the diversification of its portfolio and the Company's cash position.

Alternative Investment Fund Managers Directive ("AIFMD")

In July 2013 the AIFMD was implemented, a European directive affecting the regulation of VCTs. The Company has appointed its Investment Adviser as its AIFM. The Company's Investment Adviser was entered on the register of small registered UK AIFMs in February 2014. 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
29 July 2016

Directors' Report

This Directors' Report incorporates the Corporate Governance Statement on pages 32 to 34 and the Statement of Directors Responsibilities on page 35.

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 year 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 October 2015 the Company paid an interim dividend of 0.6p per Ordinary share. The Board now recommends that the shareholders approve, at the forthcoming Annual General Meeting, the payment of further dividends of 2.0p per Ordinary share and 2.0p per B Ordinary share.

Share capital

As at 31 March 2016 a total of 18,091,202 (2015: 18,141,202) Ordinary shares of 1p each and 8,116,777 (2015: 1,979,400) B Ordinary shares of 1p each were in issue. During the year ended 31 March 2016 a total of 6,137,377 B Ordinary shares were issued. Of the 6,137,377 B Ordinary shares issued in the year, 3,856,720 were issued at a price of £1.00, in accordance with the terms of the offer for subscription dated 3 October 2014. The remaining 2,280,657 B Ordinary shares issued in the year were issued and allotted at share prices ranging from £0.9952 to £1.0373 per share, in accordance with the terms of the offer for subscription dated 29 October 2015. During the year 50,000 Ordinary shares were bought back by the Company at a price of £1.0725 per Ordinary share.

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 following individual shareholdings exceeding 3% of the issued share capital:

- Roy Nominees Limited 15.1%
- UBS Private Banking Nominees Ltd 6.5%

Independent Auditor

A resolution to re-appoint Grant Thornton UK LLP as Independent Auditor will be proposed at the forthcoming AGM.

Accountability and audit

The Directors' responsibility statement in respect of the Financial Statements is set out on page 35 of this report. The report of the Independent Auditor is set out on pages 36 to 37 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 22 to the Financial Statements.

Going concern

After making enquiries, the Directors are satisfied that the Company has adequate resources to continue to operate for at least twelve months from the date of approval of the Financial Statements. For this reason, the going concern basis has been deemed appropriate to adopt in the preparation of the Company's Financial Statements.

Financial instruments

Information on the principal financial instruments held by the Company, including details about risk management, may be found in the Investment Review forming part of the Strategic Report and at note 20 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.

By Order of the Board
The City Partnership (UK) Limited
Company Secretary
29 July 2016

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 AGM.

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 36 to 37.

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 the appointment of new directors and remuneration are taken by the Board as a whole. The use of formal advertisements and external consultants is not considered cost effective given the Company's size.

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 per annum 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 2017 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 AGM in 2016.

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

Directors' Annual Report on Remuneration

Directors' fees for the year (audited)

The fees payable to individual Directors in respect of the year ended 31 March 2016 are shown in the table below.

	Total annual fee £	Total fee paid for year ended 31.03.16 £	Total fee paid for year ended 31.03.15 £
Jonathan Djanogly	20,000	20,000	20,000
Laurence Blackall	15,000	15,000	15,000
Peter Dubens*	15,000	–	–

**Peter Dubens has waived his right to a fee for the years ended 31 March 2016 and 31 March 2015.*

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 by the Directors for the relevant financial year. 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 7 to the Financial Statements.

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 2016 and the prior year:

	Year ended 31.03.16 £	Year ended 31.03.15 £	Percentage increase/(decrease) %
Total Directors' fees	35,000	35,000	–
Dividend	108,847	544,236	(80.0)
Repurchase on own shares	53,896	–	100.0

Directors' shareholdings (audited)

The beneficial interests of the Directors in the shares of the Company at the year end and at the date of this report were as follows:

	As at 31.03.16				As at 31.03.15			
Director	Ordinary shares held	% of Ordinary shares in issue	B Ordinary shares held	% of B Ordinary shares in issue	Ordinary shares held	% of Ordinary shares in issue	B Ordinary shares held	% of B Ordinary shares in issue
Jonathan Djanogly	25,000	0.14	25,000	0.31	25,000	0.14	-	-
Laurence Blackall	200,000	1.11	100,000	1.23	200,000	1.10	-	-
Peter Dubens	400,000	2.21	400,000	4.93	400,000	2.20	200,000	10.10

The Company confirms that it has not set out any formal requirements or guidelines for a Director to own shares in the Company. There have been no changes in Directors' shareholdings since the year end.

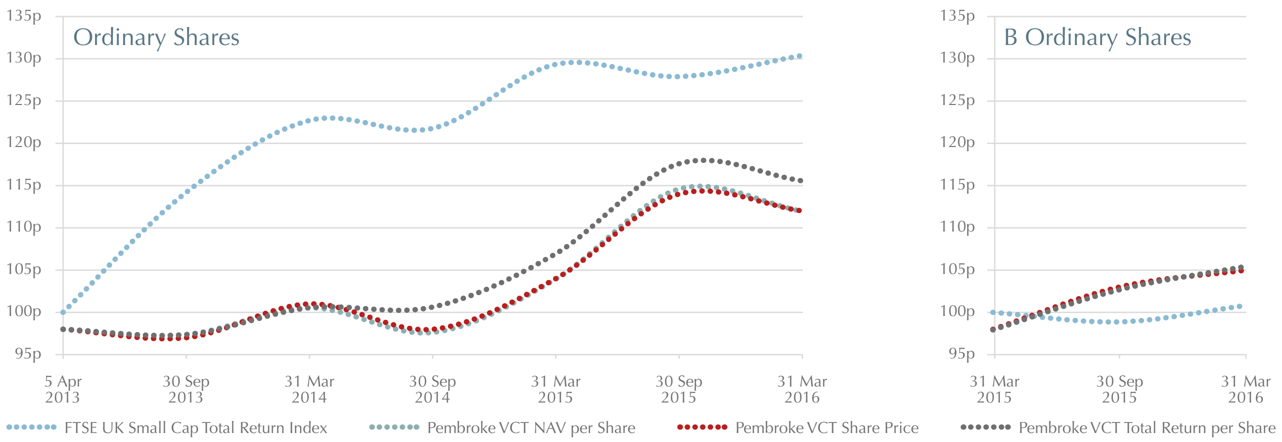
Company performance

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 below.

The graph below compares the Company's Ordinary and B Ordinary share prices, net asset values and total return per share 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 24 September 2015, 100% of shareholders voted for and nil shares were withheld in respect of the resolution approving the Directors' remuneration report. At the AGM held in 2014 100% of shareholders voted for and nil shares were withheld in respect of the resolution approving the Directors' remuneration policy. 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
29 July 2016



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 2014.

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 2016.

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, Philip Hare & Associates 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. A performance evaluation of the Board, the Audit Committee and individual directors was led by Jonathan Djanogly. The Directors concluded that the balance of skills is appropriate and all Directors contribute fully to discussion in an open, constructive and objective way. The size and composition of the Board is considered adequate for the effective governance of the Company.

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 2016 and up to the date of signing the Annual Report and Financial Statements, the Audit Committee discharged its responsibilities by:

- Reviewing the content and monitoring the integrity of the financial statements of the Company, 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 the 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 auditor 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 Audit Committee examined the Investment Adviser's confirmation and considered it appropriate.

The Investment Adviser and auditor confirmed to the Audit Committee that they were not aware of any material misstatements. Having reviewed the Company's financial statements and reports received from the Investment Adviser and auditor, 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 auditor and assessed the effectiveness of the audit process. When assessing the effectiveness of the process for the period under review the Committee considered the auditor's technical knowledge and that they have a clear understanding of the business of the Company; that the audit team is appropriately resourced; that the auditor 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 three years; in accordance with ethical standards the engagement partner is rotated after at most five years, and the current partner has served for three years.

Corporate Governance Statement continued

Attendance at Board and committee meetings

During the year ended 31 March 2016 there were:

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

The Directors' attendance at these meetings is noted here.

Director	Board	Audit Committee
Jonathan Djanogly	4	3
Laurence Blackall	4	3
Peter Dubens	2	–

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 the Annual General Meeting forms part of this report. 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

The Directors are responsible for preparing the 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 profit 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;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Prepare a Strategic Report, a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 2016 as a whole is fair, balanced and understandable and provides the information necessary for the members of the Company to assess the Company's position and 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;
- 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 page 28.

On behalf of the Board
Jonathan Djanogly
Director
29 July 2016

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 2016 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) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- 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 for the year ended 31 March 2016 comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related Notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Overview of our audit approach

- Overall materiality: £288,600 which represents 1% of the Company's net assets; and
- Key audit risk was identified as valuation of unquoted investments.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk – Valuation of unquoted investments

The investment strategy 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. These investments which amount, by value, to 85% of Equity, 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 and earnings multiples 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. We therefore identified valuation of unquoted investments as a significant risk that requires special audit consideration.

How we responded to the risk

Our audit work included, but was not restricted to:

- reviewing and challenging the reasonableness of both the valuation model used and the assumptions made by the investment adviser to value the unquoted shares that had been valued using a valuation model, including corroboration of financial inputs to the relevant investee company management accounts; and considering 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 considered the specific circumstances of the investment and the time elapsed since the investment was made in determining whether cost remains an appropriate basis of valuation;
- 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; and considered events which occurred subsequent to the year end up until the date of this report; and
- 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 considering the appropriateness, in accordance with relevant accounting standards, of the disclosures relating to the unquoted investments.

The Company's accounting policy on investments, including the valuation of unquoted investments, is shown in note 5(a) and related disclosures are included in note 12. The audit committee also identified the valuation of unquoted investments as a key area of risk in its report on page 26, where the committee also described the action that it has taken to address this risk.

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 use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £288,600 which is 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which are primarily composed of the Company's investment portfolio, is considered to be a key driver of the Company's total return performance.

Materiality for the current year is higher than the level that we determined for the year ended 31 March 2015 to reflect the increase in the value of underlying net assets.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality for the audit of the financial statements. We also determine a lower level of specific materiality for certain areas such as management fees and directors' remuneration.

We determined the threshold at which we will communicate misstatements to the audit committee to be £14,400.

In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

We conducted our audit in accordance with ISAs (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 included:

- 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; and
- undertaking 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 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

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' statements in relation to going concern and longer-term viability, set out on pages 20 and 17 respectively; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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' statement 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.

We have nothing to report in respect of the above.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the financial statements and the audit

What the Directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 29 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 ISAs (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
29 July 2016

Financial Statements

Income Statement for the year ended 31 March 2016

		Year ended 31.03.16			Year ended 31.03.15		
	Note	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Realised/unrealised gains and losses on investments	12	–	1,821,992	1,821,992	–	1,115,046	1,115,046
Income	5,6	804,674	–	804,674	478,608	17,475	496,083
Investment adviser's fees	7	(65,458)	(196,371)	(261,829)	(37,891)	(113,670)	(151,561)
Other expenses	8	(267,283)	(6,913)	(274,196)	(274,524)	(24,896)	(299,420)
Profit on ordinary activities before tax		471,933	1,618,708	2,090,641	166,193	993,955	1,160,148
Tax on ordinary activities	9	(75,000)	40,000	(35,000)	–	–	–
Profit attributable to equity shareholders		396,933	1,658,708	2,055,641	166,193	993,955	1,160,148
Return per share							
Ordinary shares	11	1.72p	6.17p	7.89p	0.92p	5.48p	6.40p
B Ordinary shares*	11	1.47p	9.32p	10.79p	(0.04)p	(0.03)p	(0.07)p

**Year ended 31 March 2015 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 Income Statement represents the profit and loss account of the Company, prepared in accordance with Financial Reporting Standard 102 ("FRS 102"). The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice, "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP") revised in November 2014. A separate Statement of Comprehensive Income has not been prepared as all comprehensive income is included in the Income Statement.

All the items above derive from continuing operations of the Company.

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

		Ordinary shares			B Ordinary shares		
	Note	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Realised/unrealised gains and losses on investments	12	–	1,237,145	1,237,145	–	584,847	584,847
Income	5,6	621,233	–	621,233	183,441	–	183,441
Investment adviser's fees	7	(49,659)	(148,975)	(198,634)	(15,799)	(47,396)	(63,195)
Other expenses	8	(202,672)	–	(202,672)	(64,611)	(6,913)	(71,524)
Profit on ordinary activities before tax		368,902	1,088,170	1,457,072	103,031	530,538	633,569
Tax on ordinary activities	9	(57,000)	30,000	(27,000)	(18,000)	10,000	(8,000)
Profit attributable to equity shareholders		311,902	1,118,170	1,430,072	85,031	540,538	625,569

The accompanying notes on pages 46 to 56 are an integral part of the Financial Statements.

Balance Sheet as at 31 March 2016

	Note	As at 31.03.16 £	As at 31.03.15 £
Fixed assets			
Investments	12	24,505,271	17,686,375
Current assets			
Debtors	14	2,105,465	444,992
Cash at bank and in hand		2,306,940	3,214,882
		4,412,405	3,659,874
Creditors: amounts falling due within one year	15	(234,690)	(550,207)
Net current assets		4,177,715	3,109,667
Net assets		28,682,986	20,796,042
Capital and reserves			
Called up share capital	16,17	262,080	201,206
Share premium account	17	9,452,414	3,519,742
Capital redemption reserve	17	500	–
Special reserve	17	15,281,104	15,443,847
Capital reserves	17	3,156,351	1,497,643
Revenue reserves	17	530,537	133,604
Total shareholders' funds		28,682,986	20,796,042
Net asset value per share	18	109.44p	103.36p

The Financial Statements were approved by the Directors authorised for issue on 29 July 2016 and signed on their behalf by:

Jonathan Djanogly
Director

The accompanying notes on pages 46 to 56 are an integral part of the Financial Statements.

Balance Sheet as at 31 March 2016

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

	Note	As at 31.03.16 Ordinary shares £	As at 31.03.16 B Ordinary shares £	As at 31.03.16 Total £	As at 31.03.15 Ordinary shares £	As at 31.03.15 B Ordinary shares £	As at 31.03.15 Total £
Fixed assets							
Investments	12	19, 736,049	4,769,222	24,505,271	17,686,375	–	17,686,375
Current assets							
Debtors	14	58,604	2,046,861	2,105,465	405,278	39,714	444,992
Cash at bank and in hand		488,973	1,817,967	2,306,940	1,314,784	1,900,098	3,214,882
		547,577	3,864,828	4,412,405	1,720,062	1,939,812	3,659,874
Creditors: amounts falling due within one year	16	(158,667)	(76,023)	(234,690)	(548,807)	(1,400)	(550,207)
Net current assets		388,910	3,788,805	4,177,715	1,171,255	1,938,412	3,109,667
Net assets		20,124,959	8,558,027	28,682,986	18,857,630	1,938,412	20,796,042
Capital and reserves							
Called up share capital	16,17	180,912	81,168	262,080	181,412	19,794	201,206
Share premium account	17	1,599,724	7,852,690	9,452,414	1,599,724	1,920,018	3,519,742
Capital redemption reserve	17	500	–	500	–	–	–
Special reserve	17	15,281,104	–	15,281,104	15,443,847	–	15,443,847
Capital reserves	17	2,616,468	539,883	3,156,351	1,498,298	(655)	1,497,643
Revenue reserves	17	446,251	84,286	530,537	134,349	(745)	133,604
Total shareholders' funds		20,124,959	8,558,027	28,682,986	18,857,630	1,938,412	20,796,042
Net asset value per share	18	111.24p	105.44p	109.44p	103.95p	97.93p	103.36p

The accompanying notes on pages 46 to 56 are an integral part of the Financial Statements.

Statement of Changes in Equity for the year ended 31 March 2016

for the year ended 31 March 2016	Called up share capital £	Share premium £	Capital redemption reserve £	Special reserve £	Capital reserve £	Revenue reserve £	Total reserves £
Opening balance as at 1 April 2015	201,206	3,519,742	–	15,443,847	1,497,643	133,604	20,796,042
Shares issued	61,374	6,083,346	–	–	–	–	6,144,720
Shares bought back	(500)	–	500	(53,896)	–	–	(53,896)
Share issue expenses	–	(150,674)	–	–	–	–	(150,674)
Dividends paid	–	–	–	(108,847)	–	–	(108,847)
Profit for the year	–	–	–	–	1,658,708	396,933	2,055,641
Closing balance as at 31 March 2016	262,080	9,452,414	500	15,281,104	3,156,351	530,537	28,682,986

for the year ended 31 March 2015	Called up share capital £	Share premium £	Capital redemption reserve £	Special reserve £	Capital reserve £	Revenue reserve £	Total reserves £
Opening balance as at 1 April 2014	181,412	1,599,724	–	15,988,083	503,688	(32,589)	18,240,318
Shares issued	19,794	1,959,606	–	–	–	–	1,979,400
Share issue expenses	–	(39,588)	–	–	–	–	(39,588)
Dividends paid	–	–	–	(544,236)	–	–	(544,236)
Profit for the year	–	–	–	–	993,955	166,193	1,160,148
Closing balance as at 31 March 2015	201,206	3,519,742	–	15,443,847	1,497,643	133,604	20,796,042

Statement of Changes in Equity for the year ended 31 March 2016

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

Ordinary Shares	Called up share capital £	Share premium £	Capital redemption reserve £	Special reserve £	Capital reserve £	Revenue reserve £	Total reserves £
Opening balance as at 1 April 2015	181,412	1,599,724	–	15,443,847	1,498,298	134,349	18,857,630
Shares bought back	(500)	–	500	(53,896)	–	–	(53,896)
Dividends paid	–	–	–	(108,847)	–	–	(108,847)
Profit for the year	–	–	–	–	1,118,170	311,902	1,430,072
Closing balance as at 31 March 2016	180,912	1,599,724	500	15,281,104	2,616,468	446,251	20,124,959

B Ordinary Shares	Called up share capital £	Share premium £	Capital redemption reserve £	Special reserve £	Capital reserve £	Revenue reserve £	Total reserves £
Opening balance as at 1 April 2015	19,794	1,920,018	–	–	(655)	(745)	1,938,412
Shares issued	61,374	6,083,346	–	–	–	–	6,144,720
Share issue expenses	–	(150,674)	–	–	–	–	(150,674)
Profit for the year	–	–	–	–	540,538	85,031	625,569
Closing balance as at 31 March 2016	81,168	7,852,690	–	–	539,883	84,286	8,558,027

Cash Flow Statement for the year ended 31 March 2016

	Note	Year Ended 31.03.16 £	Year Ended 31.03.15 £
Operating activities			
Investment income received – qualifying		13,123	46,685
Deposit and similar interest received – non-qualifying		3,594	15,247
Investment adviser's fees paid		(286,901)	(153,801)
Company secretarial fees paid		(109,642)	–
Cash paid to and on behalf of Directors		(37,606)	(48,854)
Other cash payments		(183,186)	(127,990)
Net cash outflow from operating activities	19	(600,618)	(268,713)
Cash flows from investing activities			
Purchase of investments		(2,062,036)	(4,156,944)
Long term loans made		(2,234,800)	(1,941,600)
Short term loans made		(1,850,000)	(350,000)
Long term loans repaid		100,000	–
Net cash outflow from investing activities		(6,046,836)	(6,448,544)
Net cash outflow before financing		(6,647,454)	(6,717,257)
Cash flows from financing activities			
Net proceeds from share issues		5,901,985	3,465,669
Share buybacks paid		(53,626)	–
Equity dividends paid		(108,847)	(544,236)
Cost of creation of special reserve		–	(9,159)
Net cash inflow from financing		5,739,512	2,912,274
(Decrease) in cash and cash equivalents		(907,942)	(3,804,983)
Cash and cash equivalents at the beginning of the year		3,214,882	7,019,865
Cash and cash equivalents at the end of the year		2,306,940	3,214,882

The accompanying notes on pages 46 to 56 are an integral part of the Financial Statements.

Cash Flow Statement for the year ended 31 March 2016

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

	Year ended 31.03.16			Year ended 31.03.15		
	Ordinary Shares £	B Ordinary Shares £	Total £	Ordinary Shares £	B Ordinary Shares £	Total £
Operating activities						
Investment income received – qualifying	13,123	–	13,123	46,685	–	46,685
Deposit and similar interest received – non-qualifying	2,010	1,584	3,594	15,247	–	15,247
Investment adviser's fees paid	(239,548)	(47,353)	(286,901)	(153,801)	–	(153,801)
Company secretarial fees paid	(93,469)	(16,173)	(109,642)	–	–	–
Cash paid to and on behalf of Directors	(30,185)	(7,421)	(37,606)	(48,854)	–	(48,854)
Other cash payments	(143,938)	(39,248)	(183,186)	(127,990)	–	(127,990)
Net cash outflow from operating activities	(492,007)	(108,611)	(600,618)	(268,713)	–	(268,713)
Cash flows from investing activities						
Purchase of investments	(136,658)	(1,925,378)	(2,062,036)	(4,156,944)	–	(4,156,944)
Long term loans made	(100,000)	(2,134,800)	(2,234,800)	(1,941,600)	–	(1,941,600)
Short term loans made	–	(1,850,000)	(1,850,000)	(350,000)	–	(350,000)
Long term loans repaid	100,000	–	100,000	–	–	–
Net cash outflow from investing activities	(136,658)	(5,910,178)	(6,046,836)	(6,448,544)	–	(6,448,544)
Net cash outflow before financing	(628,665)	(6,018,789)	(6,647,454)	(6,717,257)	–	(6,717,257)
Cash flows from financing activities						
Net proceeds from share issues	(17,573)	5,919,558	5,901,985	1,565,571	1,900,098	3,465,669
Share buybacks paid	(53,626)	–	(53,626)	–	–	–
Equity dividends paid	(108,847)	–	(108,847)	(544,236)	–	(544,236)
Cost of creation of special reserve	–	–	–	(9,159)	–	(9,159)
Net cash (outflow)/ inflow from financing	(180,046)	5,919,558	5,739,512	1,012,176	1,900,098	2,912,274
(Decrease)/increase in cash	(808,711)	(99,231)	(907,942)	(5,705,081)	1,900,098	(3,804,983)

Notes to the Financial Statements

1. Company information

The Company is a Public Limited Company incorporated in England and Wales. The registered address is 3 Cadogan Gate, London SW1X 0AS. The principal activity is investing in private equity type transactions.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006 and in accordance with the SORP issued by the Association of Investment Companies ("AIC") in November 2014. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102 and in accordance with the SORP issued by AIC in November 2014. There are no significant changes to the Company's accounting policies as a result of the adoption of FRS 102 or the SORP. The Company has early adopted "Amendments to FRS102 – Fair value hierarchy disclosures" issued by the Financial Reporting Council in March 2016.

The financial statements are prepared in pounds sterling, which is the functional currency of the Company.

3. 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.

4. Significant judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting practice requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine the fair value of investments at fair value through profit or loss, as disclosed in note 5 to the financial statements. The fair value of investments at fair value through profit or loss is determined by using valuation techniques explained in note 5.

5. Accounting policies

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

a) 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"). 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. Loan stock investments receivable within the next 12 months are classified as short term.

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. Carrying investments at fair value is specifically permitted under FRS102 section 14.4B.

b) 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 it is probable 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 it is probable that payment will be received in due course.

c) 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.

d) Debtors

Short term debtors (including short term loans) are measured at transaction price, less any impairment.

e) Creditors

Short term trade creditors are measured at the transaction price.

f) Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The tax expense/(income) is presented either in the Income Statement or Statement of Changes in Equity depending on the transaction that resulted in the tax expense/(income). Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

g) Financial instruments

The Company has elected to apply the provisions of section 11 'Basic Financial Instruments' and section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

The Company's financial instruments comprise its investment portfolio, cash balances and most debtors and creditors. These financial assets and financial liabilities are carried either at fair value or, in the case of debtors, creditors and cash, using the cost which is considered to be a reasonable approximation of their fair value.

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.

6. Income

	2016 £	2015 £
Interest receivable – revenue		
– from bank deposits	3,434	5,890
– from long term loan stock	691,189	442,446
– from short term loan stock	104,031	24,282
– arrangement fees received	6,020	5,990
	804,674	478,608
Interest receivable – capital		
– from long term loan stock	–	17,475
	804,674	496,083

7. Investment Adviser's fees

	Year ended 31.03.16 £	Year ended 31.03.15 £
Oakley Investment Managers LLP	261,829	151,561

Oakley Investment Managers LLP has been appointed as the Company's Investment Adviser. This appointment shall continue until terminated by the expiry of not less than twelve months' notice in writing given by either party. 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 25 and 26.

8. Other expenses

Other expenses include:	2016 £	2015 £
Company secretarial fees	61,659	44,429
Auditor's fees – audit services	35,000	29,700
Additional prior year audit fees	10,000	–
Printing and stationery	29,452	33,789
Marketing	26,540	4,295
Insurance	8,753	3,420
Investment acquisition costs	6,013	20,869
Employers NI on Directors' remuneration	1,888	2,634
Other costs	24,480	30,109
Interest forgone on renegotiation of loan investment	–	62,160
Irrecoverable VAT	35,411	29,709

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 page 29.

Notes to the Financial Statements continued

9. Tax on ordinary activities

a) Analysis of tax charge

	2016 £	2015 £
Revenue charge	35,000	–
Credited to capital return	–	–
Current and total tax charge (note (b))	35,000	–

b) Factors affecting tax charge for the period

	2016 £	2015 £
Total return on ordinary activities before tax	2,090,641	1,160,148
Effect of:		
Corporation tax at 20%	418,128	232,030
Non-taxable gains on investments	(364,398)	(223,009)
Movement in excess management expenses	(21,900)	(9,021)
Other movements	3,170	–
Tax charge for period (note (a))	35,000	–

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 £nil (2015: £21,900).

10. Dividends paid

	2016 £	2015 £
Final dividend on Ordinary shares for the year ended 31 March 2016 of 0.6p per share (2015: Interim dividend 3.0p per Ordinary share)	108,847	544,236

The dividend was paid from the special reserve. Details of the proposed dividend for the year ended 31 March 2016 are provided in the Chairman's statement.

11. Return per share

	2016			2015		
	Revenue	Capital	Total	Revenue	Capital	Total
Earnings per Ordinary share	1.72p	6.17p	7.89p	0.92p	5.48p	6.40p
Earnings/(loss) per B Ordinary share	1.47p	9.32p	10.79p	(0.04)p	(0.03)p	(0.07)p

Basic revenue return per Ordinary share is based on the net revenue return from ordinary activities after taxation of £311,902 (2015: £166,193) and on 18,133,662 (2015: 18,141,202) 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 £1,118,170 (2015: £994,610) and on 18,133,662 (2015: 18,141,202) 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 of £85,031 (2015: (period from 19 March 2015 (date of first issue of B Ordinary shares to 31 March 2015): £(745)) and on 5,798,035 (2015: 1,979,400) B Ordinary shares, being the weighted average number of shares in issue during the year (2015: 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 gain after taxation of £540,538 (2015: Loss: £(655) (period from 19 March 2015 (date of first issue of B Ordinary shares) to 31 March 2015)) and on 5,798,035 (2015: 1,979,400) Ordinary shares, being the weighted average number of shares in issue during for the year (2015: period from 19 March 2015 (date of first issue of B Ordinary shares) to 31 March 2015).

12. Investments

Movements in investments during the period are summarised as follows:	Shares £	Loan stock £	Total £
Opening 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	483,880
Valuation at 31 March 2015	13,249,695	4,436,680	17,686,375
Movements in the year:			
Purchases at cost	1,772,034	2,234,800	4,006,834
Transferred from short term to long term loans	–	350,000	350,000
Unrealised gains on equity investments	1,821,992	–	1,821,992
Long term loans repaid	–	(100,000)	(100,000)
Interest rolled up in fixed income investments	–	740,070	740,070
Total movements in year	3,594,026	3,224,870	6,818,896
Closing valuation:			
Cost at 31 March 2016	13,280,986	6,437,600	19,718,586
Unrealised appreciation at 31 March 2016	3,562,735	–	3,562,735
Interest rolled up in fixed income investments	–	1,223,950	1,223,950
Valuation at 31 March 2016	16,843,721	7,661,550	24,505,271

During the year, the Company incurred acquisition costs of £6,013 (2015: £20,869) and disposal costs of £nil (2015: £nil).

As at 31 March 2016, 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 quoted prices are readily and regularly available and those prices represent actual and regular occurring market transactions on an arm's length 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 5, unquoted investments are valued in accordance with the IPEVEV 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.

Details of the basis of revaluation are included in the Investment Review on pages 12 to 23.

13. 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 Limited)	27.7
KX Gym (KX Group Holding Limited)	11.8
Plenish (Plenish Cleanse Limited)	31.4
Dilly & Wolf (Dilly and Wolf Limited)	27.0
Chilango (Mucho Mas Limited)	3.0
Five Guys UK (Freston Road Ventures LLP)	4.2
La Bottega (LBID Holdings Limited)	40.0
Chucs Bar & Grill (Chucs Bar & Grill Limited)	26.6
Second Home (Second Homes Limited)	5.5
Sourced Market (SP Market Limited)	20.7
Kat Maconie (Kat Maconie Limited)	23.9
Troubadour Goods (Troubadour Goods Limited)	44.4
Bella Freud (Bella Freud Limited)	27.8
Chucs (Chucs Limited)	31.5
Bella Freud Perfume (Bella Freud Parfum Limited)	30.0
Penfield (Penfield Inc Limited)	8.7
ME+EM (ME and Em Limited)	5.1
Boat International Media (Boat International Limited)	21.6
Zenos Cars (Zenos Cars Limited)	11.5
Blaze (SMIDSY Limited)	7.6
Stillking Films UK (2020 Group Limited)	5.0

Details of holdings may be found in the Investment Portfolio summary and Investment Review on pages 10 to 23.

14. Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Short term loan and accrued interest	1,907,658	365,633
Bank interest accrued	–	161
Sundry debtors and prepayments	197,807	79,198
	2,105,465	444,992

15. Creditors: amounts falling due within one year

	2016 £	2015 £
Sundry creditors and accruals	185,680	240,177
Deferred income	14,010	20,030
Corporation tax	35,000	–
Fixed asset investment deferred payment	–	290,000
	234,690	550,207

16. Called up share capital

	Number of Ordinary shares*	Number of B Ordinary shares**	Total
Allotted, called up and fully paid at 1 April 2015:	18,141,202	1,979,400	20,120,602
Issued during the year	–	6,137,377	6,137,377
Repurchase of own shares for cancellation	(50,000)	–	(50,000)
At 31 March 2016	18,091,202	8,116,777	26,207,979

*Ordinary shares of 1p each
**B Ordinary shares of 1p each

During the year, the Company issued 6,137,377 B Ordinary shares as detailed below:

Allotted, called up and fully paid:

No of shares	Nominal value £	Consideration received £
2,171,720 B Ordinary shares issued on 2 April 2015	21,717	2,171,720
1,175,000 B Ordinary shares issued on 9 June 2015	11,750	1,175,000
510,000 B Ordinary shares issued on 29 July 2015	5,100	510,000
2,280,657 B Ordinary shares issued on 4 February 2016	22,806	2,288,000

During the year, the Company repurchased 50,000 of its own Ordinary shares for cancellation at a cost of £53,626.

17. Reserves

Called up share capital represents the nominal value of shares that have been issued.

Share premium account includes any premiums received on issue of share capital less any transaction costs associated with the issuing of shares and any amounts transferred to the special reserve.

Special reserve include amounts transferred from the share premium account on 26 March 2014. The special reserve is distributable and is mainly used for payment of dividends.

Capital reserves includes all current and prior period realised and unrealised movements in the fair value of investments and all costs which are considered capital in nature. As at 31 March 2016 there were no realised gains therefore the balance is non-distributable.

Revenue reserve includes all current and prior period retained profits and losses. The balance on the account is distributable.

The total distributable reserves of the Company at 31 March 2016 is £15,811,641.

18. Net asset value per share

The net asset values per share at the year-end were as follows:

	2016 Net asset values attributable		2015 Net asset values attributable	
	Net assets	Net assets per share	Net assets	Net assets per share
Ordinary shares	£20,124,959	111.24p	£18,857,630	103.95p
B Ordinary shares	£8,558,027	105.44p	£1,938,412	97.93p

Net asset value per Ordinary share is based on net assets at the year end and on 18,091,202 (2015: 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 8,116,777 (2015: 1,979,400) B Ordinary shares, being the number of B Ordinary shares in issue at the year end.

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

	2016 £	2015 £
Profit before taxation for the year	2,090,641	1,160,148
Unrealised gains on investments	(1,821,992)	(1,129,702)
(Increase) in debtors (excluding share issue proceeds and short term loans)	(60,812)	(55,951)
(Increase) in interest rolled up in fixed income investments	(740,070)	(336,420)
(Decrease)/Increase in creditors and accruals (excluding share issue expenses, short term loans and fixed asset investment balances)	(68,385)	93,212
Net cash outflow from operating activities	(600,618)	(268,713)

20. Financial instruments

The Company's financial instruments comprise:

(i) Equity and fixed-interest investments that are held in accordance with the Company's investment objectives as set out in the Directors' Report; and

(ii) 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 5 and 12.

20. Financial instruments 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 2016:

	2016		2015	
	Cost £	Fair value £	Cost £	Fair value £
Assets at fair value through profit and loss:				
Equity investments	13,280,986	16,843,721	11,508,952	13,249,695
Loan stock	7,661,550	7,661,550	4,436,680	4,436,680
Short term loans	1,850,000	1,850,000	350,000	350,000
Assets measured at amortised cost:				
Short term loans accrued interest	57,658	57,658	15,633	15,633
Accrued income	–	–	161	161
Other debtors	141,624	141,624	41,962	41,962
Liabilities measured at amortised cost:				
Creditors	(234,690)	(234,690)	(550,207)	(550,207)
Cash at bank	2,306,940	2,306,940	3,214,882	3,214,882
	25,064,068	28,626,803	19,018,063	20,758,806

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 85.4% (2015: 85.0%) 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 £12,017,772 (2015: £8,059,318).

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 £3,675,791 and 14.0p (Period ended 31 March 2015: £2,652,957 and 13.1p) respectively.

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

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 2016, 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
Venture capital investments					
Ordinary shares	16,843,721	58.7	N/a	N/a	N/a
Loan stock	1,454,750	5.1	Fixed	15.0	5.0
Loan stock	265,325	0.9	Fixed	10.0	5.0
Loan stock	2,491,792	8.7	Fixed	12.0	5.0
Loan stock	459,967	1.6	Fixed	12.0	5.0
Loan stock	150,522	0.5	Fixed	7.5	N/a
Loan stock	106,003	0.4	Fixed	12.0	5.0
Loan stock	369,609	1.3	Fixed	12.0	5.0
Loan stock	57,163	0.2	Fixed	12.0	5.0
Loan stock	150,986	0.5	Fixed	12.0	5.0
Loan stock	56,089	0.2	Floating	8.0	5.0
Loan stock	54,619	0.2	Floating	8.0	5.0
Loan stock	54,960	0.2	Fixed	12.0	5.0
Loan stock	58,085	0.2	Floating	11.5	5.0
Loan stock	54,648	0.2	Fixed	12.0	5.0
Loan stock	233,240	0.8	Fixed	12.0	5.0
Loan stock	119,194	0.4	Fixed	12.0	5.0
Loan stock	307,839	1.1	Fixed	5.0	5.0
Loan stock	251,644	0.9	Fixed	8.0	5.0
Loan stock	288,534	1.0	Fixed	12.0	5.0
Loan stock	550,877	1.9	Fixed	12.0	5.0
Loan stock	125,704	0.4	Fixed	12.0	5.0
Short term loans					
Loan	137,773	0.5	Fixed	12.0	1.0
Loan	109,501	0.4	Fixed	12.0	1.0
Loan	109,304	0.4	Floating	12.0	1.0
Loan	205,830	0.7	Fixed	8.0	1.0
Loan	156,214	0.5	Fixed	12.0	1.0
Loan	103,518	0.4	Fixed	12.0	1.0
Loan	26,017	0.1	Fixed	15.0	1.0
Loan	154,142	0.5	Fixed	12.0	1.0
Loan	403,682	1.4	Fixed	12.0	1.0
Loan	301,085	1.0	Fixed	12.0	1.0
Loan	200,592	0.7	Fixed	12.0	1.0
Bank deposits	2,306,940	8.0	Floating	0.15	n/a
	28,719,869	100.0			

20. Financial instruments continued

It is estimated that, if the floating interest rate fell to 0%, pre-tax profit for the year would fall by 1.37% (2015: 0.49%) 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.

21. 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.

22. Post balance sheet events

Since 31 March 2016 the Company has made investments of £1,786,059, of which £500,000 represented new investments and £1,286,059 follow-on investments in existing holdings. The Company has no other investment commitments at the balance sheet date.

A further allotment of 3,084,856 B Ordinary shares was made on 5 April 2016 for £3,143,650.

23. Geographical analysis

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

24. 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 2016, £261,829 was payable to OIM for investment adviser services of which £43,683 was owed to OIM at the year end (2015: £151,561, of which £68,753 was owed at the period end). During the year OIM paid expenses on behalf of the Company amounting to £nil (2015: £nil), of which £nil (2015: £nil) 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 £150,674 (31 March 2015: £39,588) out of which Palmer cover the costs of the offer. The costs paid by the Company in the year amounted to £250,336, resulting in a balance of £141,624 owed from Palmer to the Company at the year end (2015: Palmer owed the Company £41,962).

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

		2016		2015	
		Ordinary shares held	B Ordinary shares held	Ordinary shares held	B Ordinary shares held
Peter Dubens	Director	400,000	400,000	400,000	200,000
Stewart Porter	Investment Adviser	75,000	–	75,000	–

Notice of Annual General Meeting

It is the Board's opinion that all resolutions are in the best interests of shareholders as a whole and the Board recommends that shareholders should vote in favour of all resolutions. Any shareholder who is in doubt as to what action to take should consult an appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your Shares in the Company, please forward this document, together with the Forms of Proxy to the purchaser, transferee, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the third annual general meeting of Pembroke VCT plc will be held at 11.00am on 29 September 2016 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 Resolution and Resolution 8 will be proposed as a Special Resolution):

Ordinary Business

1. To receive the Directors' and the Independent Auditor's Reports and the Company's financial statements for the year ended 31 March 2016.
2. To approve final dividends of 2p per Ordinary share and 2p per B Ordinary share in respect of the year ended 31 March 2016 with a payment date of 31 October 2016 and a record date of 30 September 2016.
3. To receive and approve the Directors' Remuneration Report for the year ended 31 March 2016.
4. To re-appoint Grant Thornton UK LLP as auditor 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. That, the Directors be authorised to offer holders of Shares in the Company the right to receive Shares, credited as fully paid, instead of cash in respect of the whole (or some part as may be determined by the Directors from time to time) of any dividend declared in the period commencing of the date of this resolution and this power shall expire on the date falling 15 months after the date of the passing of this resolution pursuant to the Company's dividend investment scheme.

Special Resolution

8. 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 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 2017 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
29 July 2016

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 11.00am on 27 September 2016 (48 hours, excluding non-working days, before the time appointed for the meeting) shall be entitled to attend and vote at the AGM 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 AGM. To be valid, the Form of Proxy must be deposited by 11.00am on 27 September 2016, 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, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR; or
   - By sending a legible scan of the completed hard copy of the Form of Proxy to 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, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR. 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.

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 18,091,202 Ordinary Shares and 11,201,633 B Ordinary Shares, therefore the total number of voting rights in the Company as at the date of this notice is 29,292,835.

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

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

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
The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR

Bankers

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

VCT Status Adviser

Philip Hare & Associates LLP
4-6 Staple Inn
London
WC1V 7QH

Reporting Calendar

for year ending 31 March 2017

Results announced:

Interim – October 2016

Annual – July 2017

For your notes

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pembroke

VCT plc

3 Cadogan Gate, London SW1X 0AS

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