pembroke VCT plc

ANNUAL REPORT
AND FINANCIAL STATEMENTS

for the year ended 31 March 2019






SOURCED
MARKET




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Financial Highlights

Company net asset value as at 31 March 2019	Net asset value per Ordinary share	Weighted return per Ordinary share
£67.8m	138.27p	17.24p

Company profit for the year to 31 March 2019	Net asset value per B Ordinary share	Weighted return per B Ordinary share
£5.8m	111.90p	8.14p

Increase of portfolio value over cost	Total value of investments	Cash invested in new and follow-on investments
41%	£64.7m	£11.3m

Investment Objective

Pembroke VCT plc (the "Company") is a generalist VCT focused on early stage investments in the leisure and luxury brands sectors.

The Company invests in a diversified portfolio of small, principally unquoted companies, and selects those which Pembroke 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 five sectors:

- Wellness
- Hospitality
- Education
- Apparel and accessories
- Media and technology

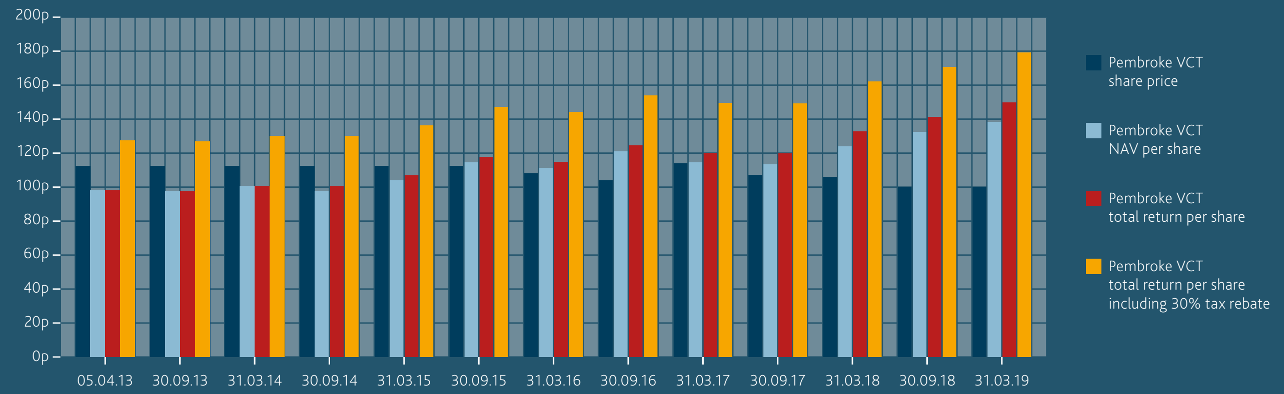

FIVE GUYS

Financial Summary

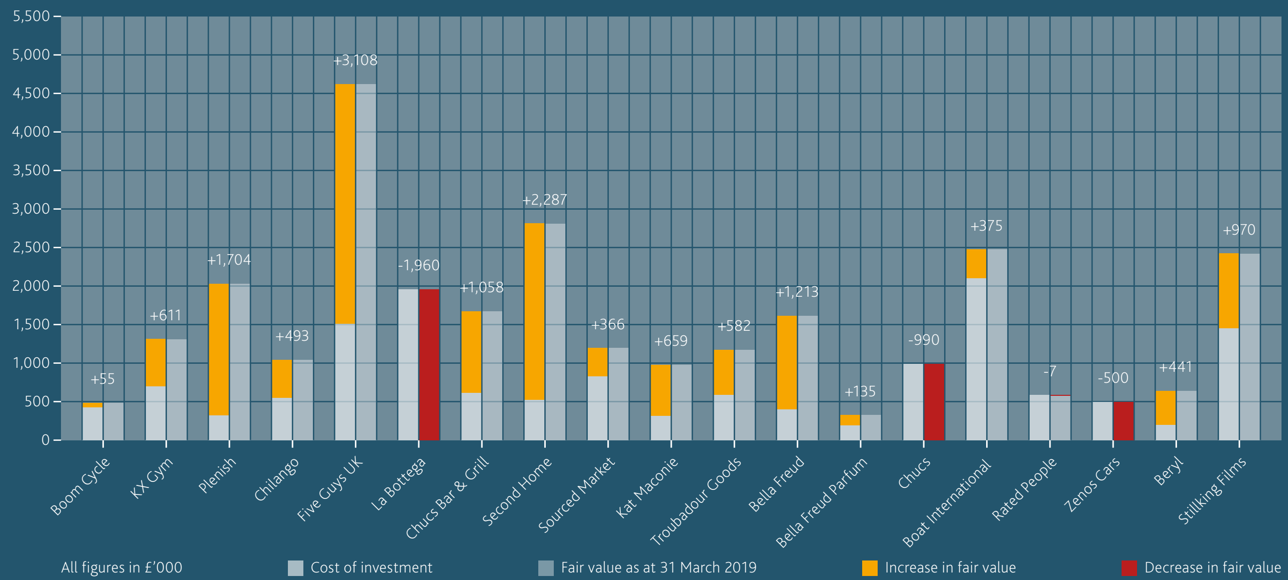
Results

	Year ended 31.03.19 Ordinary shares	Year ended 31.03.19 B Ordinary shares	Year ended 31.03.19 total	Year ended 31.03.18 Ordinary shares	Year ended 31.03.18 B Ordinary shares	Year ended 31.03.18 total
Net assets	£25,023,232	£42,744,669	£67,767,901	£22,442,372	£28,777,540	£51,219,912
Number of shares in issue	18,097,588	38,198,001	56,295,589	18,095,005	26,615,404	44,710,409
Net asset value per share (pence)	138.27	111.90	n/a	124.03	108.12	n/a
Investment income	£356,108	£663,704	£1,019,812	£486,074	£538,457	£1,024,531
Profit before tax						
Revenue	£114,800	£243,428	£358,228	£283,386	£228,919	£512,305
Capital	£3,005,796	£2,462,721	£5,468,517	£1,992,393	£1,554,114	£3,546,507
Total	£3,120,596	£2,706,149	£5,826,745	£2,275,779	£1,783,033	£4,058,812
Return per share (pence)						
Revenue	0.51	0.59	n/a	1.31	0.74	n/a
Capital	16.73	7.54	n/a	11.27	6.36	n/a
Total	17.24	8.13	n/a	12.58	7.10	n/a

Company performance – Ordinary shares



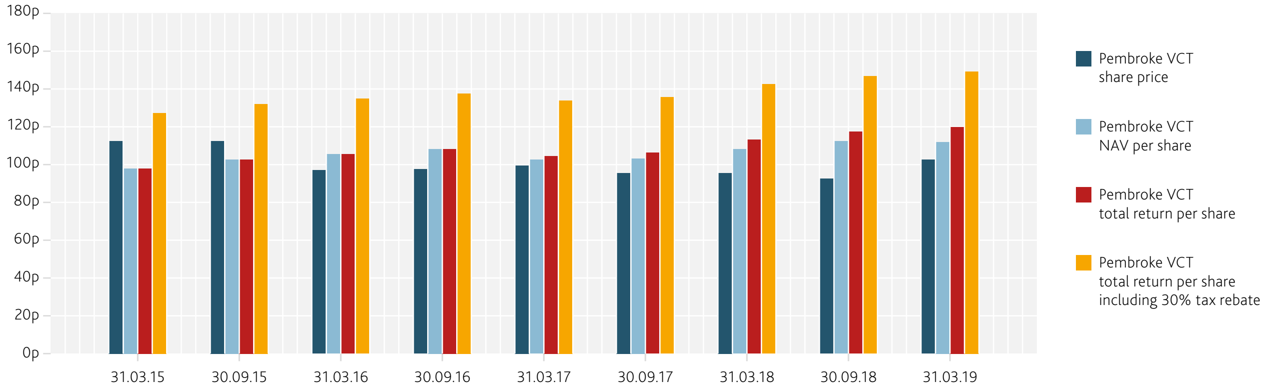
Portfolio performance – Ordinary shares



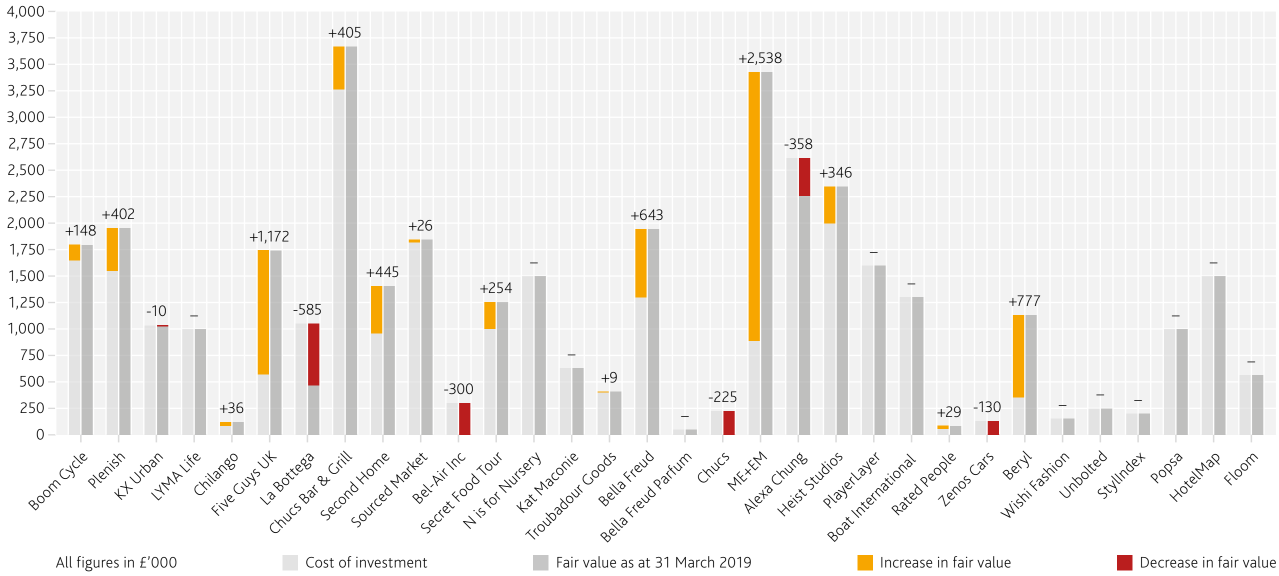
Total return
(net asset value ("NAV") plus cumulative dividends paid)

	Year ended 31.03.19 Ordinary shares (pence per share)	Year ended 31.03.19 B Ordinary shares (pence per share)	Year ended 31.03.18 Ordinary shares (pence per share)	Year ended 31.03.18 B Ordinary shares (pence per share)
Dividends paid during the year ended				
31 March 2015	3.00	–	3.00	–
31 March 2016	0.60	–	0.60	–
31 March 2017	2.00	2.00	2.00	2.00
31 March 2018	3.00	3.00	3.00	3.00
31 March 2019	3.00	3.00	–	–
Total dividends paid since launch	11.60	8.00	8.60	5.00
Closing NAV	138.27	111.90	124.03	108.12
Total return	149.87	119.90	132.63	113.12

Company performance – B Ordinary shares



Portfolio performance – B Ordinary shares



Chairman's Statement

I am pleased to present my report for the year ended 31 March 2019.

We continued to put investors' funds to work throughout the year, deploying £11.3 million in new and follow-on investments having raised a total of £6.6 million in the prior B Ordinary share offer which closed in July 2018. Our new B Ordinary share offer commenced in September 2018 raising £7.3 million as at 31 March 2019. The offer closed on 30 June 2019 having raised a total of £20 million. This underlies the progress Pembroke has made in establishing itself as a distinctive growth investment choice among advisers and individual investors.

During the period, the Total Return (net asset value ("NAV") plus cumulative dividends paid) of the Ordinary shares rose from 132.63 pence per share at 31 March 2018 to 149.87 pence per share at 31 March 2019. Over the same period the Total Return of the B Ordinary shares rose from 113.12 pence per share to 119.90 pence per share.

Investment overview

During the year we made five new investments (N is for Nursery, Secret Food Tours, HotelMap, Floom and LYMA) and had the opportunity to re-invest in a further 13 constituents of the portfolio. There have been a number of valuation changes across the portfolio, with the overall impact, including new investments funded by the B Ordinary share offer being a rise in the total value of investments including accrued interest from £46.5 million at 31 March 2018 to £64.7 million at 31 March 2019, of which organic equity value increases totalled £6.3 million.

The fund made no significant disposals during the year. For further details please see the Investment Adviser's Review and Investment Portfolio on pages 12 to 31.

Dividends

In October 2018 the Company paid a dividend of 3 pence per Ordinary share and 3 pence per B Ordinary share in relation to the financial year ending 31 March 2018. The Board now recommends that shareholders approve, at the forthcoming Annual General Meeting, the payment of a final dividend of 3 pence per Ordinary share and 3 pence per B Ordinary share.

Results

The Company made a profit of £5.8 million in the year to 31 March 2019 (2018: £4.1 million), representing a weighted return per Ordinary share of 17.24 pence (2018: 12.58 pence) and a return per B Ordinary share of 8.14 pence (2018: 7.10 pence). Income arose from the realised losses and unrealised revaluation of investments of £6.3 million (2018: £4.1 million) alongside income principally from loan notes provided to portfolio companies of £1.0 million (2018: £0.9 million). This was offset by Investment Adviser fees of £1.2 million (2018: £0.7 million) and other expenses totalling £0.3 million (2018: £0.4 million).

NAV at 31 March 2019 was £67.8 million (2018: £51.2 million), equivalent to 138.27 pence (2018: 124.03 pence) per Ordinary share and 111.90 pence (2018: 108.12 pence) per B Ordinary share. This includes the impact on NAV of the issue expenses of the offer and dividends paid to the balance sheet date.

Outlook

Funds raised in the recently closed B Ordinary share offer will be deployed in a continuation of the current strategy of investing in high quality opportunities and selective follow-on investments in the existing portfolio. The management team continue to evaluate a wide range of new opportunities, seeing the existing strategy is capable of producing strong investments in a sector in which we have significant domain expertise.

Annual General Meeting

The Annual General Meeting ("AGM") will be held at the Company's offices at 3 Cadogan Gate, London SW1X 0AS on 26 September 2019 at 8.30 am.

Jonathan Djanogly
Chairman
29 July 2019

The Board of Directors

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. 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 he is currently a member of the *Exiting the EU Select Committee*.

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.

David Till

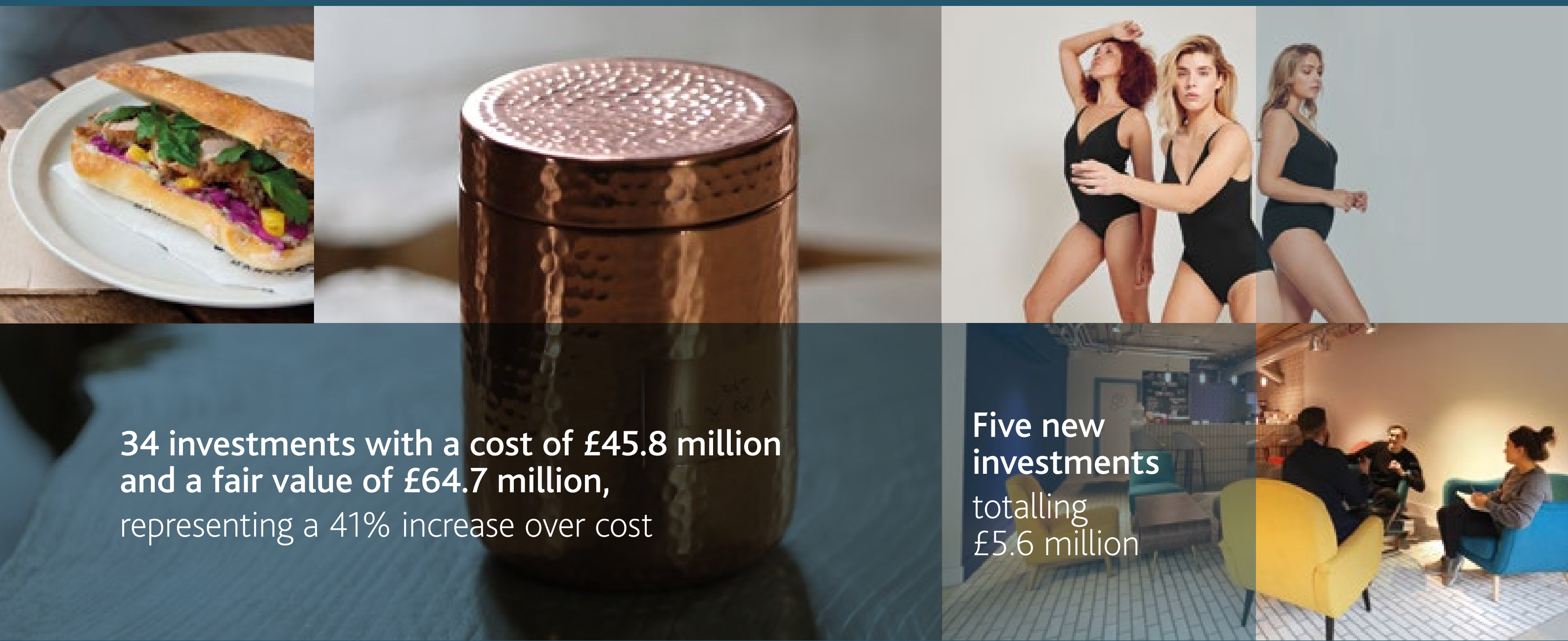
Non-independent non-executive Director

David Till co-founded the Oakley Capital Group in 2002. He plays a key role within the group and has overall responsibility for operations, finance, due diligence, compliance and Fund formation. Oakley Capital Private Equity invests in, and supports, the continued growth and development of some of Europe's leading companies and seeks to build long-term relationships with talented entrepreneurial founders and managers. Over the past 16 years, Oakley has built expertise in three core sectors: TMT, Digital Consumer and Education, and has strong credentials and networks in these areas. Oakley Capital comprises four mid-market private equity funds. The Funds generate strong returns for their Limited Partners as well as Oakley Capital Investments Limited, a listed investment vehicle that invests in Oakley Private Equity Funds.

David holds a BA (Hons) in Economics from Essex University. He started his career in the British Army, then later qualified as a chartered accountant with Coopers & Lybrand and worked in industry as a finance director before returning to the profession holding senior M&A roles.

Investments

Investment Adviser's Review



34 investments with a cost of £45.8 million and a fair value of £64.7 million, representing a 41% increase over cost

Five new investments totalling £5.6 million

Overview

The Company made five new investments and made follow-on investments in 13 companies in the year to 31 March 2019, spanning the Company's expertise in the wellness, hospitality, education, apparel and accessories together with media and technology sectors. At the year end, the portfolio comprised 35 investments with a cost of £45.8 million and a fair value of £64.7 million, representing a 41% increase over cost.

Portfolio review

The Company invested £5.6 million in the five new investments made during the year and has invested a further £5.7 million in the form of debt and equity investments in the 13 existing portfolio companies.

The five new investments were N is for Nursery, Secret Food Tours, HotelMap, Floom and LYMA, all of which are unquoted, with investments made in the form of new ordinary equity with full voting rights. The new investments capitalise on our insights into the sectors in which we invest.

N is for Nursery is a 7-day-a-week neighbourhood club, which offers a nursery (N Nursery) during the week and a family club space (N Family Club) at weekends. N Nursery & Family Club is open for 51 weeks, closing only between Christmas and New Year, to provide parents with a flexible offering, the nursery is open from 7.00 am to 7.00 pm.

Secret Food Tours is a rapidly growing food and beverage tour company that has developed a scalable and profitable approach to global expansion. Its flagship events centre on high-end food tours, culinary events and nightlife tours. The company has 60,000 customers annually and operates in 27 top-tier cities across three continents.

HotelMap is a worldwide platform for managing hotel bookings exclusively for business events such as conferences, professional congresses, conventions and trade shows. The company seeks to exploit advantages associated with hotel booking for business events by creating a completely autonomous on-demand platform.

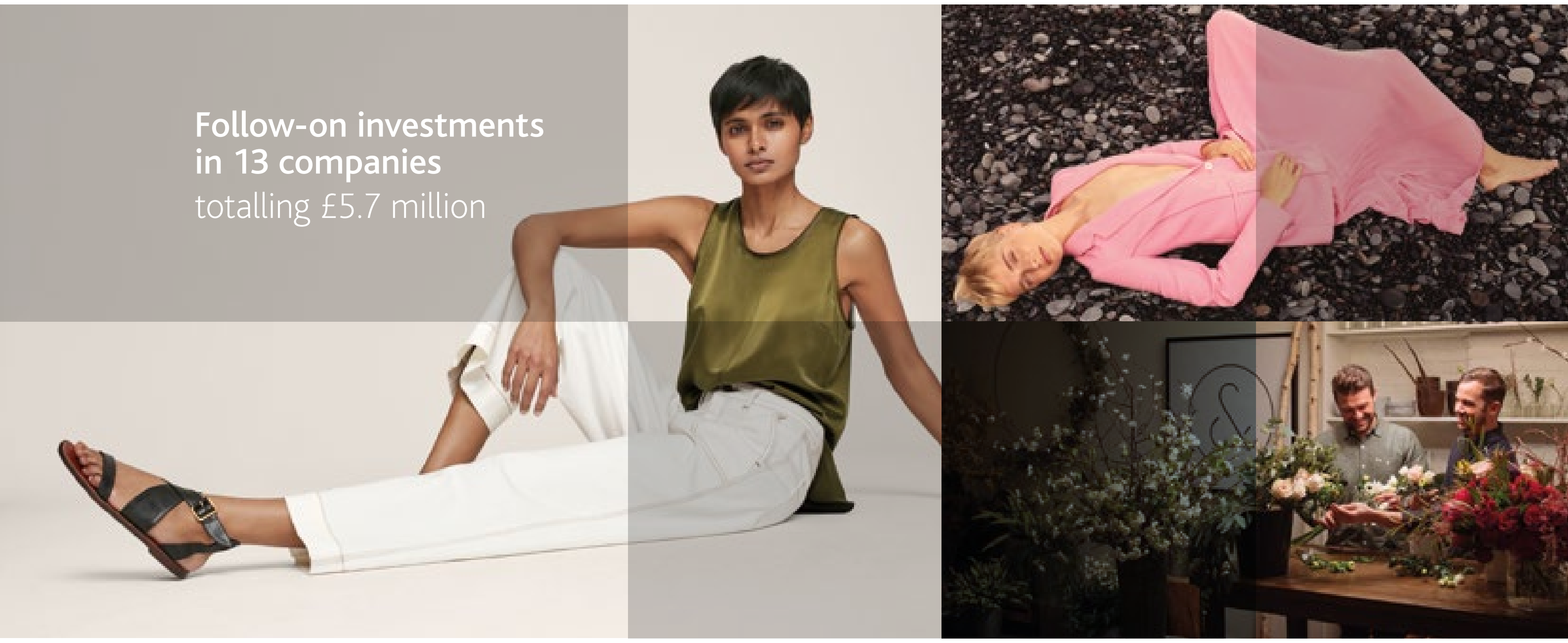
Floom is a curated global marketplace platform for independent florists; its mission is to become the primary destination for customers looking to send flowers worldwide.

LYMA was founded in February 2017 with an aspiration to develop a luxury wellness brand. The company worked closely with industry experts and the world's leading nutritional scientists, combining intensive R&D with the latest technological advances to produce a unique and high-quality, evidence-based nutritional supplement.

The 13 follow-on investments comprise seven further equity commitments to support further growth in Alexa Chung, Plenish, Chucs Bar & Grill, Boom Cycle, PlayerLayer, KX U and ME+EM alongside the extension of loans to provide working capital to eight investee companies (Sourced Market, Boom Cycle, La Bottega, Kat Maconie, Heist, Troubadour, Bella Freud and Chucs Bar & Grill). All investments were made by the B Ordinary share class.

Since the year end, the Company has made investments totalling £5.0 million in ten companies including two new investments of £1.8 million and eight follow-on investments of £3.2 million in aggregate.

The Company has also agreed to sell its stake, along with all other shareholders, in La Bottega to Chucs Bar & Grill who will be re-launching the three sites as Chucs Cafes in the summer of 2019 in a share-for-share exchange. The Company's valuation for La Bottega as at 31 March 2019 is that offered by Chucs B&G to acquire the site and was the highest offer received.



Investment performance

Companies that have performed well and justified upwards revaluations during the year of the equity held, include Five Guys that has seen annual revenue grow significantly as the company expands its number of sites in the UK and existing sites start to mature. ME+EM has also seen performance improve during the year as they continued to increase their online sales as their collections increase in popularity.

Boat International is starting to see its shift from just print into a mixture of print and digital pay with the launch of Boat Pro, the largest database of information on the super yacht industry.

Kat Maconie has also had a good year as sales have increased since she opened her first retail store and a range of makeup was launched with a South Korean partner following the success of her shoes on a local TV shopping channel.

Owing to their trading performance, we have also assessed the fair value of Boom Cycle, KX Gym and Sourced Market to be higher than at March 2018. A number of our other portfolio investments have had further funding rounds conducted at a premium to the previous price at which they were last valued, often the result of strong underlying performance being recognised by new investors wishing to participate in the next stage of growth.

There have been a number of instances in the portfolio where loans to portfolio companies have undergone conversion into equity in line with their contractual provisions. In such cases, the carrying value, including any accrued interest, is converted to new equity. This is the case for Chucs Bar & Grill and Alexa Chung.

Nine investments are held at cost (LYMA, N is for Nursery, PlayerLayer, Wishi, Unbolted, StylIndex, Popsa, HotelMap and Floom) 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 on pages 17 to 31.

Valuation

Investments held by the Company have been valued in accordance with the International Private Equity and Venture Capital (IPEVC) valuation guidelines December 2018, developed by the British Venture Capital Association and other organisations. Through these guidelines, investments are valued as defined at 'fair value'. The portfolio valuations are prepared by the Investment Adviser, reviewed and approved by the Board.

In determining fair value, the Investment Adviser uses various valuation approaches, including a combination of the price of recent investment and a market-based 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. Price of recent value will only be used as fair value after careful consideration of all the facts and circumstances concerning the underlying investment.

Investment Portfolio

Ordinary shares

	As at 31 March 2019			As at 31 March 2018		
	Cost £	Fair value £	% of net assets	Cost £	Fair value £	% of net assets
Wellness						
Boom Cycle	429,460	484,735	1.9	429,460	327,302	1.5
KX Gym	700,000	1,311,209	5.2	700,000	1,199,116	5.3
Plenish	325,000	2,029,324	8.1	325,000	2,029,312	9.0
Dilly & Wolf	–	–	–	270,000	–	–
Hospitality						
Chilango	549,850	1,042,560	4.1	549,850	1,042,560	4.6
Five Guys UK	1,512,800	4,620,465	18.5	1,512,800	3,350,880	15.0
La Bottega	1,960,000	–	–	1,960,000	–	–
Chucs Bar & Grill	614,278	1,672,119	6.7	614,278	1,672,123	7.4
Second Home	525,074	2,812,132	11.2	525,074	3,251,356	14.5
Sourced Market	830,000	1,195,987	4.8	830,000	830,000	3.7
Apparel and accessories						
Kat Maconie	320,000	979,293	3.9	320,000	711,254	3.2
Troubadour Goods	590,000	1,172,422	4.7	590,000	1,172,423	5.2
Bella Freud	400,000	1,612,738	6.4	400,000	874,320	3.9
Bella Freud Parfum	190,000	325,000	1.3	190,000	127,000	0.6
Chucs	990,039	–	–	990,039	–	–
Media and technology						
Boat International Media	2,100,000	2,475,009	9.9	2,100,000	2,100,000	9.4
Rated People	585,738	579,150	2.3	585,738	382,046	1.7
Zenos Cars	500,000	–	–	500,000	–	–
Beryl	200,000	640,690	2.6	200,000	558,319	2.5
Stillking Films	1,451,770	2,421,575	9.7	1,451,770	2,404,675	10.7
Investments before interest	14,774,009	25,374,408	101.3	15,044,009	22,032,686	98.2
Interest rolled up in fixed income investments*	1,170,773	1,170,773	4.7	822,684	822,684	3.7
Total investments	15,944,782	26,545,181	106.0	15,866,693	22,855,370	101.9
Net current assets	(1,521,949)	(1,521,949)	(6.0)	(412,998)	(412,998)	(1.9)
Net assets	14,422,833	25,023,232	100.0	15,415,695	22,442,372	100.0

*Added to investments in Financial Statements

B Ordinary shares

	As at 31 March 2019			As at 31 March 2018		
	Cost £	Fair value £	% of net assets	Cost £	Fair value £	% of net assets
Wellness						
Boom Cycle	1,646,979	1,794,565	4.2	1,091,646	874,858	3.0
Plenish	1,550,048	1,952,565	4.6	1,050,035	1,452,543	5.0
Dilly & Wolf	–	–	–	125,000	–	–
KX Urban	1,034,114	1,023,527	2.4	986,455	986,455	3.4
LYMA Life	999,993	999,993	2.3	–	–	–
Hospitality						
Chilango	85,000	121,429	0.3	85,000	121,429	0.4
Five Guys UK	570,400	1,742,471	4.1	570,400	1,263,641	4.4
La Bottega	1,050,000	464,972	1.1	950,000	400,000	1.4
Chucs Bar & Grill	3,262,167	3,667,197	8.6	2,342,963	2,747,989	9.5
Second Home	960,022	1,405,052	3.3	960,022	1,624,506	5.6
Sourced Market	1,816,767	1,842,972	4.3	1,566,767	1,566,767	5.5
Bel-Air Inc	300,000	–	–	300,000	–	–
Secret Food Tours	1,000,206	1,253,936	2.9	–	–	–
Education						
N is for Nursery	1,500,100	1,500,100	3.5	–	–	–
Apparel and accessories						
Kat Maconie	630,000	630,000	1.5	345,000	345,000	1.2
Troubadour Goods	400,000	408,954	1.0	150,000	158,954	0.5
Bella Freud	1,300,000	1,942,799	4.6	950,000	1,041,133	3.6
Bella Freud Parfum	50,000	50,000	0.1	50,000	50,000	0.2
Chucs	225,000	–	0.0	225,000	100,000	0.4
ME+EM	889,646	3,428,510	8.0	800,000	974,418	3.4
Alexa Chung	2,613,163	2,254,961	5.3	1,488,961	1,977,500	6.9
Heist Studios	1,998,466	2,344,840	5.5	1,748,466	2,094,840	7.3
PlayerLayer	1,600,680	1,600,680	3.7	1,000,507	1,000,507	3.5
Media and technology						
Boat International Media	1,300,000	1,300,000	3.0	1,300,000	1,300,000	4.5
Rated People	55,480	84,103	0.2	55,480	55,480	0.2
Zenos Cars	130,000	–	–	130,000	–	–
Beryl	352,697	1,129,846	2.6	352,697	984,585	3.4
Wishi Fashion	153,433	153,433	0.4	153,433	153,433	0.5
Unbolted	250,033	250,033	0.6	250,033	250,033	0.9
Stylindex	200,000	200,000	0.5	200,000	200,000	0.7
Popsa	1,000,078	1,000,078	2.3	1,000,000	1,000,000	3.5
HotelMap	1,500,000	1,500,000	3.5	–	–	–
Floom	565,000	565,000	1.3	–	–	–
Investments before interest	30,989,472	36,612,016	85.7	20,227,865	22,724,071	78.9
Interest rolled up in fixed income investments*	1,556,170	1,556,170	3.6	970,228	970,228	3.4
Total investments	32,545,642	38,168,186	89.3	21,198,093	23,694,299	82.3
Net current assets	4,576,483	4,576,483	10.7	5,083,241	5,083,241	17.7
Net assets	37,122,125	42,744,669	100.0	26,281,334	28,777,540	100.0

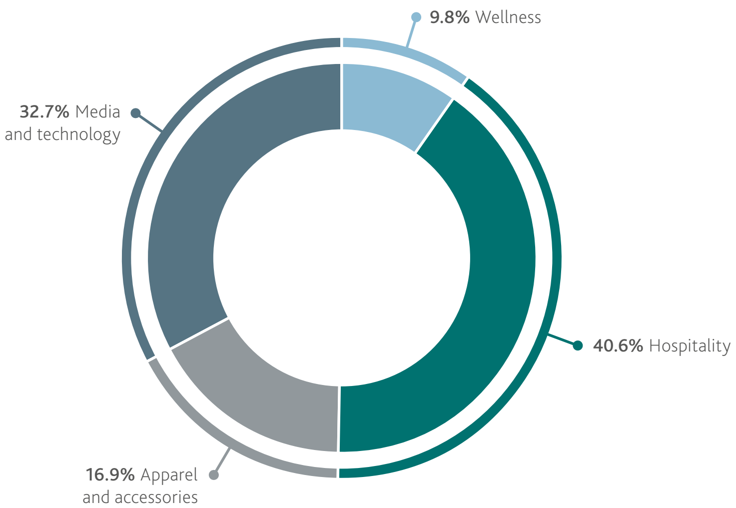
*Added to investments in Financial Statements

Investment Portfolio continued

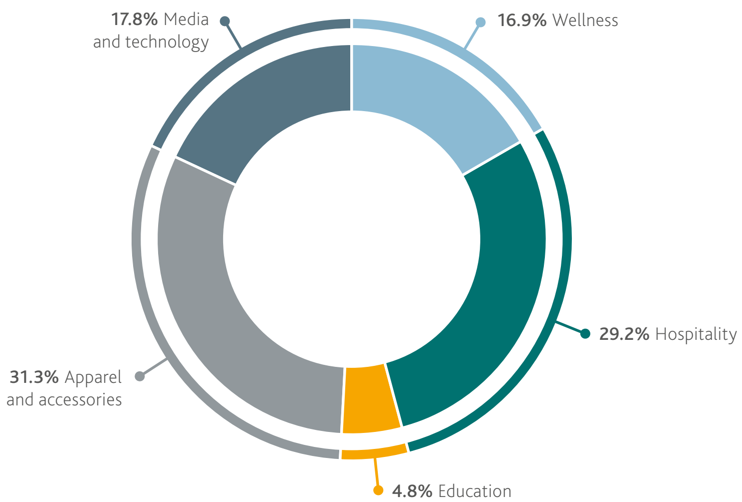
Segment analysis

The charts below show the segmental breakdown of the investment portfolio based on cost at 31 March 2019.

Ordinary share investment portfolio



B Ordinary share investment portfolio



Wellness

Representing 9.8% and 16.9% respectively of the Ordinary share and B Ordinary share investment portfolios by cost

PLENISH

Plenish, founded in 2012, is one of the leading providers of nut milks that are now stocked in every major supermarket in the UK and is a fast growing product category. A new range of flavoured grab-and-go nut milk bottles was launched in early 2019 along with cold-pressed juices in the UK of 100% raw organic (unpasteurised) juice.

Cost	£1,875,048
Valuation	£3,981,889
Interest rolled up in fixed income investment	£32,979
Basis of valuation	Last equity raise
Equity holding	32.7%
Investment in the year at cost	£500,013
Total income recognised in the year	£12,000

KX

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	£1,311,209
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

LYMA

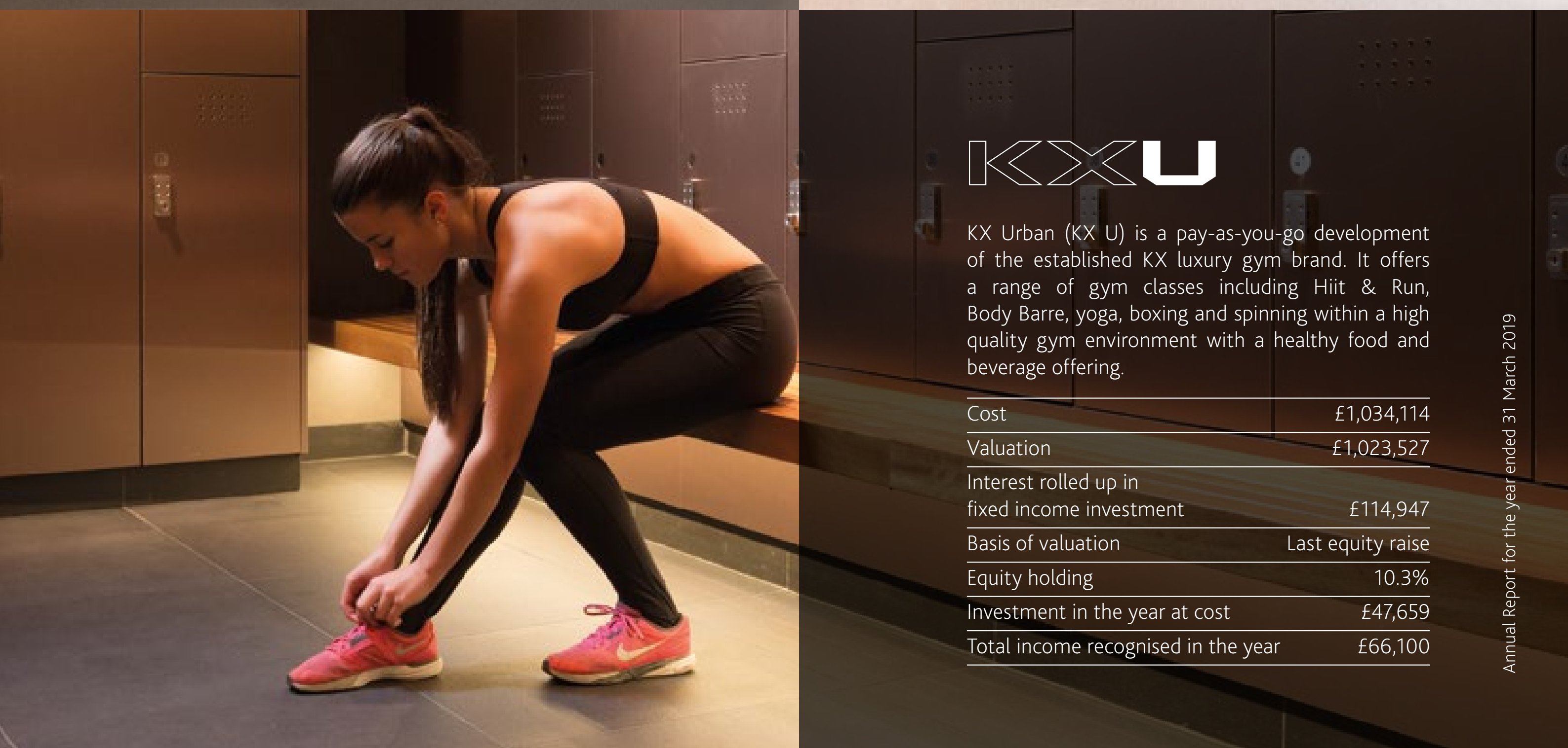
LYMA was founded in February 2017 with an aspiration to develop a luxury wellness brand. The company worked closely with industry experts and the world's leading nutritional scientists, combining intensive R&D with the latest technological advances to produce a unique and high-quality, evidence-based nutritional supplement.

Cost	£999,993
Valuation	£993,993
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	14.9%
Investment in the year at cost	£999,993
Total income recognised in the year	£nil

BOOM CYCLE

Boom Cycle is an indoor cycling concept which offers a fun, high-intensity cardiovascular workout combining indoor spin cycling with various exercise classes for both upper and lower body work-outs. One of the foremost dedicated spinning studios in London, it currently has four studios (City, Holborn, Hammersmith and Battersea), with a fifth due to open in Waterloo. Boom Cycle is on track to replicate the success of some of the larger players in the US.

Cost	£2,076,439
Valuation	£2,279,300
Interest rolled up in fixed income investment	£29,884
Basis of valuation	Last equity raise
Equity holding	32.1%
Investment in the year at cost	£555,333
Total income recognised in the year	£18,000



KXU

KX Urban (KX U) is a pay-as-you-go development of the established KX luxury gym brand. It offers a range of gym classes including Hiit & Run, Body Barre, yoga, boxing and spinning within a high quality gym environment with a healthy food and beverage offering.

Cost	£1,034,114
Valuation	£1,023,527
Interest rolled up in fixed income investment	£114,947
Basis of valuation	Last equity raise
Equity holding	10.3%
Investment in the year at cost	£47,659
Total income recognised in the year	£66,100

Hospitality

Representing 40.6% and 29.2% respectively of the Ordinary share and B Ordinary share investment portfolios by cost

Chilango

Chilango is an award-winning chain of quick-service Mexican restaurants based on successful US business models. There are currently eleven restaurants including ten across high footfall areas of Central London, plus an outlet in Manchester that forms the basis for the brand's regional roll-out.

Cost	£634,850
Valuation	£1,163,989
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	2.9%
Investment in the year at cost	£nil
Total income recognised in the year	£nil

FIVE GUYS® UK

Five Guys was founded in 1986 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 92 outlets in the UK with the estate now close to reaching maturity.

Cost	£2,083,200
Valuation	£6,362,936
Interest rolled up in fixed income investment	£887,090
Basis of valuation	Multiples
Equity holding	2.1%
Investment in the year at cost	£nil
Total income recognised in the year	£331,209

Secret Food Tours

Secret Food Tours is a rapidly-growing food and beverage tour company that has developed a scalable and profitable approach to global expansion. Its flagship events centre on high-end food tours, culinary events and nightlife tours. The company has 60,000 customers per year and operates in 27 top-tier cities across three continents.

Cost	£1,000,206
Valuation	£1,253,936
Interest rolled up in fixed income investment	£nil
Basis of valuation	Multiples
Equity holding	9.1%
Investment in the year at cost	£1,000,206
Total income recognised in the year	£nil

CHUCS BAR & GRILL

Chucs Bar & Grill is a restaurant concept reflecting the style and branding of the Chucs retail brand. The first restaurant opened on Dover Street in Mayfair, London in 2014, the second on Westbourne Grove, and a third site opened in Harrods in early 2018 with the Serpentine joining in the summer of that year, taking the company to four sites.

Cost	£3,876,445
Valuation	£5,339,316
Interest rolled up in fixed income investment	£516,515
Basis of valuation	Last equity raise
Equity holding	28.3%
Investment in the year at cost	£919,193
Total income recognised in the year	£170,299

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 an impressive office environment in which to locate their business for the short, medium and long term. The company now has sites in London, Lisbon and Los Angeles.

Cost	£1,485,096
Valuation	£4,217,184
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	3.2%
Investment in the year at cost	£nil
Total income recognised in the year	£nil

SOURCED MARKET

Sourced Market, launched in 2007, is a retail, café and restaurant concept that offers a curated selection of locally sourced fresh produce replicating the products and ambience found at a farmers market. The company's flagship site in St Pancras International in King's Cross has been complemented by three further sites in Marylebone, Victoria and Barbican.

Cost	£2,646,767
Valuation	£3,038,959
Interest rolled up in fixed income investment	£71,876
Basis of valuation	Multiples
Equity holding	30.8%
Investment in the year at cost	£250,000
Total income recognised in the year	£70,000

Education

Representing 4.8% of the B Ordinary share investment portfolio by cost

N IS FOR NURSERY

N is for Nursery is a seven-day-a-week neighbourhood club which offers a nursery (N Nursery) during the week and a family club space (N Family Club) at weekends. N Nursery & Family Club is open 51 weeks, closing only between Christmas and New Year, to provide parents with a flexible offering, the nursery is open from 7.00 am to 7.00 pm.

Cost	£1,500,100
Valuation	£1,500,100
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	12.7%
Investment in the year at cost	£1,500,100
Total income recognised in the year	£nil

Apparel and Accessories

Representing 16.9% and 31.3% respectively of the Ordinary share and B Ordinary share investment portfolios by cost

TROUBADOUR

Troubadour Goods is a London-based luxury men's accessories brand specialising in designing and creating superior handcrafted leather and textile goods. They launched a new and wider range in Autumn 2018 including a new range of products for women.

Cost	£990,000
Valuation	£1,581,376
Interest rolled up in fixed income investment	£1,918
Basis of valuation	Last equity raise
Equity holding	32.5%
Investment in the year at cost	£250,000
Total income recognised in the year	£1,918

BELLA FREUD

Bella Freud is a fashion designer producing a range of high-end men's and women's clothing, focusing on knitwear. Currently her products are available at her own flagship store on Chilton Street in London, online and through a range of luxury boutiques and department stores in the UK, Asia and the US.

Cost	£1,700,000
Valuation	£3,555,537
Interest rolled up in fixed income investment	£231,518
Basis of valuation	Multiples
Equity holding	37.9%
Investment in the year at cost	£350,000
Total income recognised in the year	£51,850

BELLA FREUD PARFUM

With the continuing success of her fashion brand, Bella Freud has launched a series of fragrances blending modernity and heritage, including Je t'Aime Jane, Ginsberg is God and the 1970. The scents are available in eau de parfum and candle format. Bella Freud Parfum is now stocked in a range of boutiques and department stores globally.

Cost	£240,000
Valuation	£375,000
Interest rolled up in fixed income investment	£52,176
Basis of valuation	Multiples
Equity holding	22.5%
Investment in the year at cost	£nil
Total income recognised in the year	£12,099

ME+EM

ME+EM, founded in 2008, is a contemporary womenswear brand founded by Clare Hornby, designing and producing its collections primarily through catalogues and online, with several retail sites across London. 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 aesthetic embodying designer quality at an affordable price.

Cost	£889,646
Valuation	£3,428,510
Interest rolled up in fixed income investment	£nil
Basis of valuation	Multiples
Equity holding	12.8%
Investment in the year at cost	£89,646
Total income recognised in the year	£nil

KAT MACONIE

Kat Maconie, founded in 2008, designs and manufactures distinctive ladies' boots and shoes which are sold online, in department stores and in boutiques globally. In Summer 2017 the company collaborated with a Korean cosmetics major, resulting in significant expansion in sales in the Asian market. The company opened its first retail store in Bermondsey in early 2019.

Cost	£950,000
Valuation	£1,609,293
Interest rolled up in fixed income investment	£67,474
Basis of valuation	Multiples
Equity holding	22.3%
Investment in the year at cost	£655,000
Total income recognised in the year	£54,809

heist

Established in 2015, Heist is a premium hosiery manufacturer that seeks to redefine how tights can feel and wear. It launched its first shape wear item, the Outerbody, in Autumn 2018 to rave reviews and positive customer reviews selling out its first batch ahead of schedule.

Cost	£1,998,466
Valuation	£2,344,840
Interest rolled up in fixed income investment	£479
Basis of valuation	Last equity raise
Equity holding	12.0%
Investment in the year at cost	£250,000
Total income recognised in the year	£479

ALEXACHUNG

The iconic model and designer launched her own fashion label in May 2017. It offers accessible luxury womenswear and will produce four in-season collections per year internationally, with stockists in over 15 countries.

Cost	£2,613,163
Valuation	£2,254,961
Interest rolled up in fixed income investment	£nil
Basis of valuation	Multiples
Equity holding	21.1%
Investment in the year at cost	£1,124,202
Total income recognised in the year	£12,821

PLAYERLAYER

PlayerLayer designs and manufactures customised sports kit for universities, sports clubs and schools. Since it was founded in 2008, it has become a leader in the premium education market providing clothing for some of the top schools and universities including the University of Cambridge. It also has the European license to provide team wear for Under Armour that was signed in 2018.

Cost	£1,600,680
Valuation	£1,600,680
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	10.3%
Investment in the year at cost	£600,172
Total income recognised in the year	£nil

Media and Technology

Representing 32.7% and 17.8% respectively of the Ordinary share and B Ordinary share investment portfolios by cost

HOTELMAP

Founded in 2014, HotelMap is a completely autonomous on-demand platform for managing hotel bookings exclusively for business events such as conferences, conventions and trade shows. HotelMap aims to become the dominant global brand in the sector, enabling the platform to aggregate huge buying power with hotel suppliers as a result of its ability to manoeuvre the world's largest audience of business event delegates to HotelMap's official hotels.

Cost	£1,500,000
Valuation	£1,500,000
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	5.3%
Investment in the year at cost	£1,500,000
Total income recognised in the year	£nil

rated people

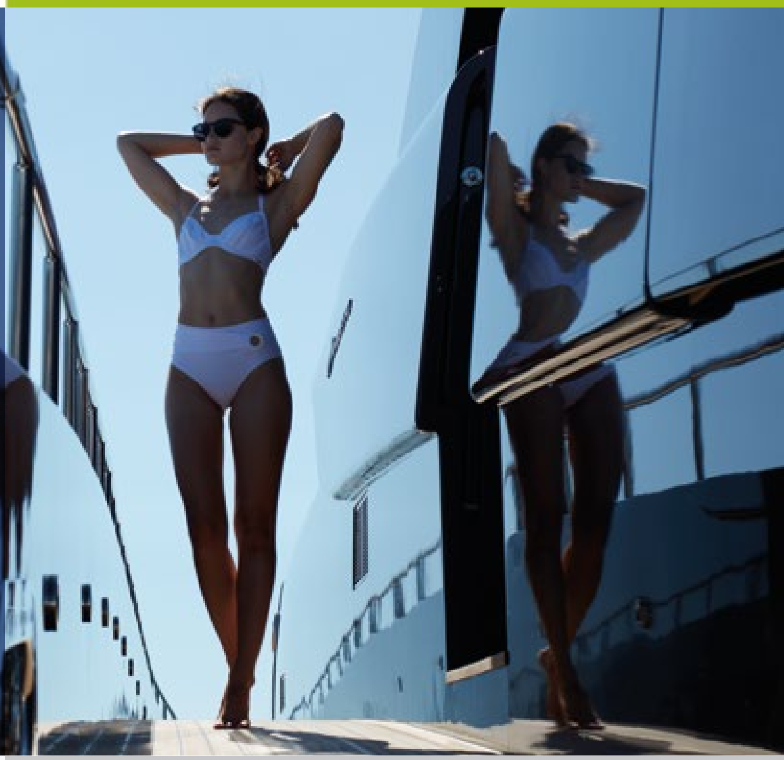
Rated People, founded in 2005, is one of the UK's leading online market places for homeowners to find tradesmen for home improvement work. The company completed a funding round in 2018 at an improved valuation, having implemented a number of cost-saving initiatives and enhancing its customer service offering.

Cost	£641,218
Valuation	£663,253
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	1.4%
Investment in the year at cost	£nil
Total income recognised in the year	£nil

BOAT

Recognised as a significant worldwide media group serving the superyacht industry, Boat International Media provides information and data services across traditional print, digital media and high quality events. The company recently launched Boat Pro providing the largest database of information on super yachts anywhere.

Cost	£3,400,000
Valuation	£3,775,009
Interest rolled up in fixed income investment	£719,987
Basis of valuation	Multiples
Equity holding	21.6%
Investment in the year at cost	£nil
Total income recognised in the year	£203,986



beryl

Beryl designs products which enhance bike safety. Their flagship product is the Laserlight, which projects a laser image onto the ground as featured throughout London's current and forthcoming new Santander Cycle fleet. They launched a new data enabled cycle hire bike in early 2019 that removes the need for the traditional infrastructure and is first being installed in Bournemouth and Poole, with London and Hereford to follow.

Cost	£552,697
Valuation	£1,770,536
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	4.7%
Investment in the year at cost	£nil
Total income recognised in the year	£nil

STYLiNDEX

Stylindex is a platform that helps content producers find the best models, creative talent, and production resources for photoshoots, videos, and events. Stylindex's cloud-based platform allows brand teams to manage shoots and assets in one place and manage the whole process of media asset creation right down to billing and rights allocation and embargos.

Cost	£200,000
Valuation	£200,000
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	5.1%
Investment in the year at cost	£nil
Total income recognised in the year	£nil

STILLKING

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	£2,421,575
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

Unbolted

Unbolted provides a platform for peer-to-peer secured lending, offering short-term liquidity to individuals seeking bridging facilities, or advance sale loans for personal or small business use.

Cost	£250,033
Valuation	£250,033
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	4.2%
Investment in the year at cost	£nil
Total income recognised in the year	£nil

FLOOM

Founded in July 2015, Floom is a curated global marketplace platform for independent florists; its mission is to become the primary destination for customers looking to send flowers worldwide.

Cost	£565,000
Valuation	£565,000
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	8.2%
Investment in the year at cost	£565,000
Total income recognised in the year	£nil

Popsa

Popsa is a photobook app that, through the use of proprietary machine learning algorithms, has reduced the time it takes for customers to produce photobooks from two hours to an average of just six minutes. Popsa operates in a £5 billion global industry that has been built on a clunky and frustrating process – by automating the selection of a customer's most relevant photos, Popsa's disruptive software removes this frustration.

Cost	£1,000,078
Valuation	£1,000,078
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	9.8%
Investment in the year at cost	£nil
Total income recognised in the year	£nil

WISHI

Wishi is an innovative fashion technology business that brings together personal styling and online wardrobe management functionality to help fully exploit an individual's current wardrobe and provide new clothing suggestions personalised to their look.

Cost	£153,433
Valuation	£153,433
Interest rolled up in fixed income investment	£nil
Basis of valuation	Last equity raise
Equity holding	1.4%
Investment in the year at cost	£nil
Total income recognised in the year	£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 Investment Portfolio 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 overview

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

Investment objectives

The Company will seek to invest in a diversified portfolio of smaller companies, principally unquoted companies but possibly also including stocks quoted on AIM or NEX, selecting companies which the Investment Adviser believes provide the opportunity for value appreciation. Pending investment in suitable Qualifying Investments, the Investment Adviser will invest in investments intended to generate a positive return, which may include certain money market securities, listed securities and cash deposits. The Company will continue to hold up to 30% of its net assets (20% from 1 April 2020) in such products after it is fully invested under the VCT rules.

Investment strategy

For its "qualifying investments" (being investments which comprise Qualifying Investments for a venture capital trust as defined in Chapter 4 Part 6 of the Income Tax Act 2007) ("Qualifying Investments"), the Company is expected to invest primarily in unquoted companies, although it may also invest in companies whose shares are traded on AIM or NEX. The Company will invest in 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. It is likely that investment will be biased towards consumer-facing businesses with an established brand or where brand development opportunities exist. The Company will invest in a small portfolio of carefully selected Qualifying Investments where the Investment Adviser should be able to exert influence over key elements of each investee company's strategy and operations. The companies may be at any stage in their development from start-up to established businesses.

It is anticipated that, at any time, up to 30% of investments (20% from 1 April 2020) will be held in non-VCT 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 the net proceeds of any offer (20% from 1 April 2020) will be invested in other funds, with the balance being invested in other investments which may include certain money market securities, and cash deposits.

Asset allocation

Qualifying Investment portfolio

For its Qualifying Investments, the Company will invest primarily in companies whose shares are not traded on any exchange, although it may also invest in companies whose shares are traded on AIM or NEX, and will invest up to a maximum of 15% (at the time of investment) in any single Qualifying Investment. The Investment Adviser will seek to construct a portfolio comprising a diverse range of 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.

Non-Qualifying Investment portfolio

Under current VCT legislation, the Company must have invested at least 70% of funds raised in Qualifying Investments within three years of the funds being raised (80% from 1 April 2020). However, this programme of investment in Qualifying Investments will take time to complete; thus in the first three years a considerable proportion of those funds will need to be invested elsewhere, in Non-Qualifying Investments such as certain money market securities, listed securities and cash deposits. At any time after the end of the three years of initial investment in Qualifying Investments, the Company will hold no more than 30% of its funds in Non-Qualifying Investments (20% from 1 April 2020).

The portfolio of Non-Qualifying Investments will be managed with the intention of generating a positive return. Until suitable Qualifying Investments are identified, up to 30% of the net proceeds of any offer will be invested in other funds (20% from 1 April 2020), with the balance being invested in other investments which may include money market securities and cash deposits.

Risk diversification

The Directors will control the overall risk of the portfolio by ensuring that the Company has exposure to a diversified range of unquoted companies, in particular, targeting a variety of sectors.

In order to limit concentration in the portfolio that is derived from any particular investment, at all times no more than 15% by value of the relevant share pool of the Company (at the time of investment) will be invested in any single company. In addition, no more than 10%, in aggregate, of the assets of the Company (at the time the investment is made) will be invested in other listed closed-ended investment funds.

The Company may invest in a range of securities including, but not limited to, ordinary and preference shares, loan stocks and convertible securities, and other interest-bearing securities. Unquoted Qualifying Investments will usually be structured as a combination of ordinary shares, preference shares and loans.

Gearing

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

Strategic Report continued

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, pages 8 and 9 and the Investment Adviser's Review, pages 12 and 13. Details of the investments made by the Company are given in the Investment Portfolio section, pages 14 to 31. A summary of the Company's key financial measures is given on page 6.

Management agreement

Under an investment management agreement entered into on 15 February 2013, novated to the Investment Adviser in July 2014 and varied on 3 October 2014 and 1 December 2017 (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, any Performance Fee payable and, in any rolling period of 12 months, does not include audit fees, administration, accounting and company secretarial costs, share registrars' fees, London Stock Exchange fees, printing and mailing costs in respect of the audited accounts, interim reports and circulars to shareholders, fees in respect of regulatory announcements made through a Regulatory Information Service, corporate broking fees, insurance premiums and remuneration of the Board (including employers' national insurance contributions) where the aggregate of such fees in any rolling period of 12 months, for such time as the Company's NAV is £100,000,000 or less, is less than £350,000 and, for such time as the Company's NAV exceeds £100,000,000, is less than £500,000.

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 per Ordinary share plus 8 pence 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 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 per B Ordinary share plus 3 pence 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 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 continues to raise, invest and manage funds for the Company successfully 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. 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 underlying sectors and 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 UK Corporate Governance Code in 2016 (the "2016 Code"), the Directors have considered their obligation to assess the viability of the Company over a period longer than the 12 months from the date of approval of the Financial Statements required by the going concern basis of accounting. The Directors have carried out a robust assessment of the prospects of the Company for the period to 31 March 2024, 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 five 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 2019

Directors' Report

This Directors' Report incorporates the Corporate Governance Statement on pages 42 to 44 and the Statement of Directors Responsibilities on page 45.

Principal activity and status

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

Directors

The Directors of the Company during the period under review were Jonathan Djanogly, Laurence Blackall, Peter Dubens and David Till. Peter Dubens retired from the Board and David Till was appointed to the Board on 28 August 2018. The current Directors of the Company are Jonathan Djanogly, Laurence Blackall and David Till. Brief biographical details of the Directors are given on page 10. In accordance with the Listing Rules of the Financial Conduct Authority, David Till, as a member of the Company's Investment Adviser, is not considered to be independent and will therefore be subject to annual re-election by shareholders. Jonathan Djanogly and Laurence Blackall are subject to annual re-election by shareholders in accordance with corporate governance best practice.

Dividends

The Board is recommending final dividends for the year ended 31 March 2019 of 3 pence per Ordinary share and 3 pence per B Ordinary share payable on 31 October 2019.

Share capital

There were 18,097,588 Ordinary shares and 38,198,001 B Ordinary shares in issue at the year end.

During the year, 2,583 Ordinary shares were allotted at an average price of 120.56 pence per Ordinary share raising £3,115 under the Dividend Investment Scheme ("DIS").

11,593,276 B Ordinary shares were allotted under Offers for subscription at an average price of 108.60 pence per B Ordinary share raising £12.6 million net of issue costs. 87,591 B Ordinary shares were allotted under the DIS at an average price of 104.13 pence per B Ordinary share raising £91,207.71.

Since the year end, 13,942,887 B Ordinary shares have been issued, refer to Note 22 on page 70 for further details.

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. During the year to 31 March 2019 98,270 B Ordinary shares were bought back by the Company.

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.

Substantial shareholdings

At 31 March 2019 and as at the date of this report there were no holdings (directly or indirectly) of 3% or more of the voting rights attached to the issued share capital of the Company.

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 45 of this report. The report of the Independent Auditor is set out on pages 46 to 49 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 auditor.

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 long-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 9. Details of post-balance-sheet events may be found at Note 22 to the Financial Statements.

Going concern

In accordance with FRC Guidance for Directors on going concern and liquidity risk, the Directors have assessed the prospects of the Company and are of the opinion that, at the time of approving the Financial Statements, the Company has adequate resources to continue in business for at least 12 months from the date of approval of the Financial Statements. In reaching this conclusion, the Directors took into account the nature of the Company's business and Investment Policy, its risk management policies, the diversification of its portfolio and cash holdings. The Company's business activities, together with the factors likely to affect its future development, performance and position including the financial risks the Company is exposed to are set out in the Strategic Report on pages 33 to 35. As a consequence, the Directors have a reasonable expectation that the Company has sufficient cash to continue to operate and the Company is well placed to manage its business risks successfully and meet its liabilities as they fall due. Thus the Directors believe it is appropriate to continue to apply the going concern basis in preparing the 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.

Requirements 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 2019

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 46 to 49.

Annual statement from the Chairman of the Company

Jonathan Djanogly and Laurence Blackall began their term on 27 November 2012, David Till was appointed as a Director of the Company on 28 August 2018. There have been no changes to Directors’ remuneration during the year. 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 of 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 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 last approved by members at the AGM in 2017 and will next be put for approval to shareholders at the AGM to be held in 2020.

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. David Till will be subject to election by the shareholders at the upcoming AGM and, as a non-independent Director, he will be subject to annual re-election at AGMs. In accordance with corporate governance best practice all Directors will be subject to annual re-election at the forthcoming AGM and every AGM thereafter.

Brief biographical details of the Directors are given on page 10.

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 2019 are shown in the table below:

	Total annual fee £	Total fee paid for the year ended 31.03.19 £	Total fee paid for the year ended 31.03.18 £
Jonathan Djanogly	20,000	20,000	20,000
Laurence Blackall	15,000	15,000	15,000
David Till*	15,000	8,836	n/a
Peter Dubens*	n/a	–	–

**David Till was appointed to the Board on 28 August 2018. Peter Dubens waived his right to a fee when he was a Director of the Company and retired from the Board on 28 August 2018.*

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.

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 2019 and the prior year:

	Year ended 31.03.19 £	Year ended 31.03.18 £	Increase/ (decrease) %
Total Directors' fees	43,836	35,000	25
Dividend	1,529,549	1,296,637	18
Repurchase of own shares	101,956	89,676	14

Directors' shareholdings (audited)

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

	As at 31.03.19				As at 31.03.18			
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	0.04	25,000	0.14	25,000	0.09
Laurence Blackall	200,000	1.11	100,000	0.18	200,000	1.11	100,000	0.38
David Till	100,000	0.55	90,569	0.16	n/a	n/a	n/a	n/a
Peter Dubens	n/a	n/a	n/a	n/a	400,000	2.21	586,689	2.20

The Company confirms that it has not set out any formal requirements or guidelines for a Director to own shares in the Company.

Directors' Remuneration Report continued

Company performance

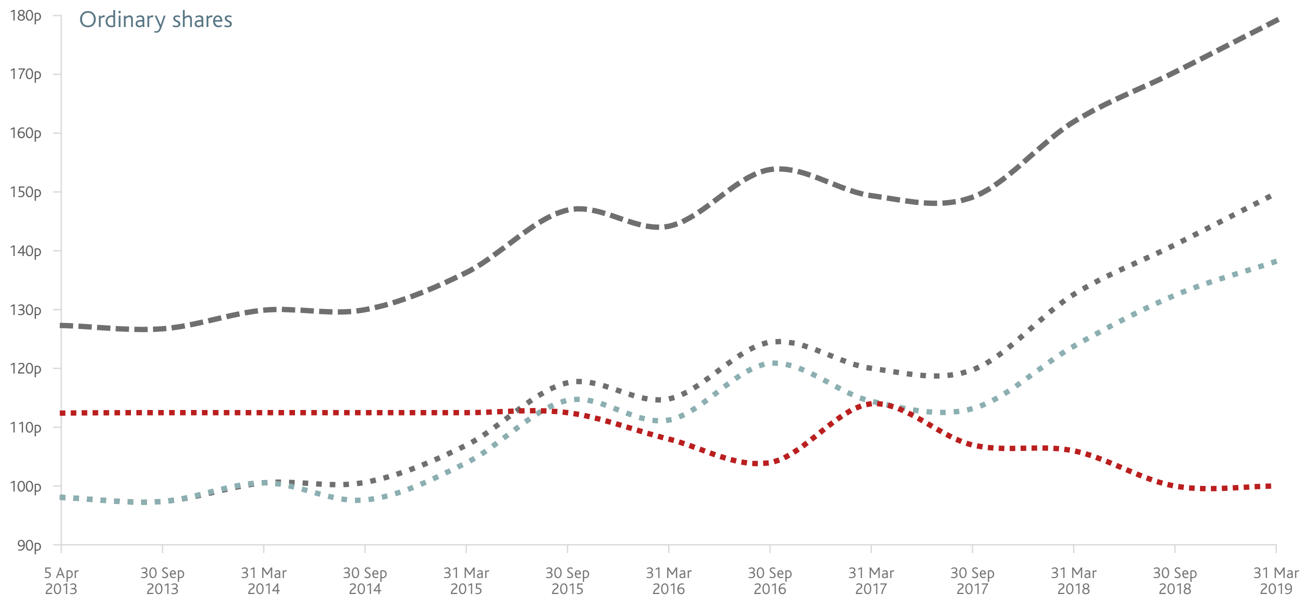
The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Adviser through a management agreement. The Directors consider that a comparison of investment performance against the FTSE UK Small Cap Index is the best available metric, although readers should note that the differences between the scale, capital structure and liquidity of investments in the two differ markedly.

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 100 pence in the FTSE UK Small Cap Index over the same period.

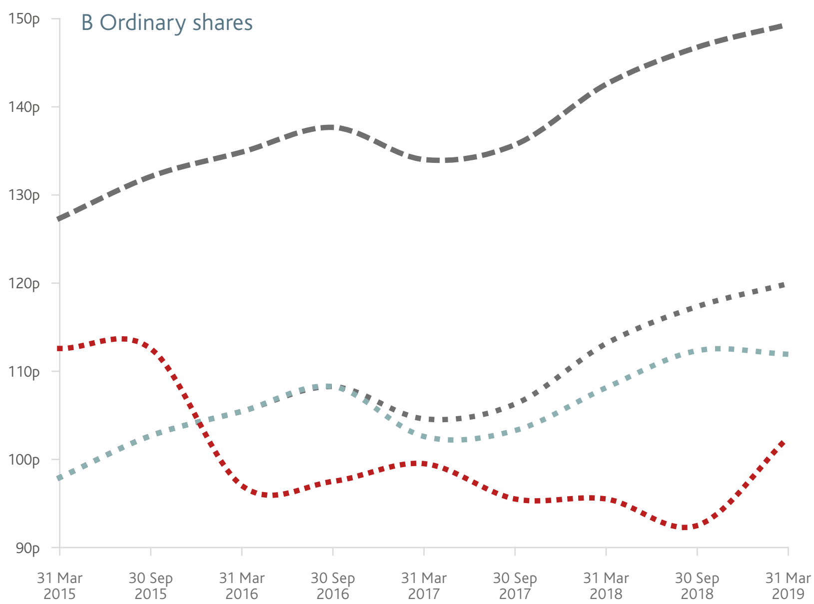
At the last AGM held on 27 September 2018, 99.9% of shareholders voted for, 0.1% of shareholders voted against and 22,378 shares were withheld in respect of the resolution approving the Directors' remuneration report. An ordinary resolution for the approval of the Directors' Annual Report on Remuneration will be put to shareholders at the forthcoming AGM.

At the AGM held on 7 September 2017, 99.9% of shareholders voted for, 0.1% of shareholders voted against and 23,336 shares were withheld in respect of the resolution approving the Directors' remuneration policy.

On behalf of the Board
Jonathan Djanogly
Director
29 July 2019



Ordinary shares (above)
- Pembroke VCT Ord total return per share (inc. 30% tax rebate)
- Pembroke VCT Ord total return per share
- Pembroke VCT Ord NAV per share
- Pembroke VCT Ord share price



B Ordinary shares (right)
- Pembroke VCT B Ord total return per share (inc. 30% tax rebate)
- Pembroke VCT B Ord total return per share
- Pembroke VCT B Ord NAV per share
- Pembroke VCT B Ord share price

Governance

Corporate Governance Statement

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 2016.

As a VCT, 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 2019.

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, David Till, 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. Jonathan Djanogly and Laurence Blackall's are dated with effect from 5 April 2013 and David Till's with effect from 28 August 2018.

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.

The Board has considered the recommendations of the Code concerning diversity and welcomes initiatives aimed at increasing diversity generally. The Board believes, however, that all appointments should be made on merit rather than positive discrimination. The policy of the Board is that maintaining an appropriate balance around the Board table through a diverse mix of skills, experience, knowledge and background is of paramount importance and all forms of diversity are a significant element of this.

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. As all Directors have acted in the interests of the Company throughout the period of their appointment and demonstrated commitment to their roles, the Board recommends that they be re-elected at the AGM.

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 2019 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 year.

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 valuation of unquoted investments is discussed regularly at Board meetings and Directors are also consulted about material changes to these valuations between Board meetings. The Audit Committee examined the Investment Adviser's confirmation and considered it appropriate.

The Investment Adviser and the 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 it has 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 five years; in accordance with ethical standards the engagement partner is rotated after at most five years, and the current partner, Andrew Heffron, has served for two years. The Board notes that statutory audit retendering is required after an auditor has been in place for ten years.

Corporate Governance Statement continued

Attendance at Board and committee meetings

During the year ended 31 March 2019 there were:

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

The Directors' attendance at these meetings is noted below:

Director	Board	Audit Committee
Jonathan Djanogly	5	3
Laurence Blackall	5	3
David Till*	4	n/a
Peter Dubens*	0	n/a

**David Till was appointed to the Board and Peter Dubens resigned from the Board on 28 August 2018.*

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 AGM where the Directors and representatives of the Company's advisers will be available to answer any questions members may have. The notice of AGM forms part of this Report.

The Board also communicates with shareholders through the half-yearly and Annual Reports and Financial Statements 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.

On behalf of the Board
Jonathan Djanogly
Director
29 July 2019

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 2019 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 36.

On behalf of the Board
Jonathan Djanogly
Director
29 July 2019

Independent Auditor's Report

Opinion

Our opinion on the Financial Statements is unmodified

We have audited the Financial Statements of Pembroke VCT plc (the 'Company') for the year ended 31 March 2019, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 35 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation, set out on page 35 of 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 Directors' Statement, set out on page 37 of the Financial Statements, about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of the Financial Statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation, set out on page 35 of 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.

Overview of our audit approach

- Overall materiality: £693,000, which represents approximately 1% of the Company's net assets;
- Key audit matters were identified as completeness and occurrence of investment income and existence and valuation of investments; and
- Our audit approach was a risk-based substantive audit focused on investments at the year end and investment income recognised during the year. There was no significant change in our approach from the prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Completeness and occurrence of investment income The Company aims to generate tax-free capital gains and income on investors' funds. Investment income comprises interest income recognised on the Company's loan investments and dividend income on its unquoted investments and is computed manually, therefore there is an increased risk of error and potential for management judgement. It is also the Company's major source of revenue and is the largest revenue line item in the income statement. Under International Standard on Auditing (UK) 240 'The auditor's responsibilities relating to fraud in an audit of Financial Statements', there is a presumed risk of fraud in revenue recognition. We therefore identified completeness and occurrence of investment income as a significant risk, which was one of the most significant assessed risks of material misstatement.	***Our audit work included, but was not restricted to:*** • Assessing whether the Company's accounting policy for revenue recognition is in accordance with the requirements of Financial Reporting Standard 102 (FRS 102) and the Association of Investment Companies Statement of Recommended Practice (AIC SORP) and testing its consistent application to investment income recognised during the year; • Agreeing investment holdings to third-party sources such as management accounts or Financial Statements of investee companies and using this to develop an expectation for dividend entitlement for the year; • Comparing the expectation of dividend entitlement to the underlying accounting records to confirm completeness; • Obtaining underlying loan agreements, recalculating interest income and then comparing to the income recognised in the year; and • Obtaining the Company's investment income schedule and comparing it to third-party sources such as bank statements to confirm occurrence. The Company's accounting policy Investment Income is shown in Note 5(b) to the Financial Statements and related disclosures are included in Note 6. Key observations Based on the work performed, we identified no issues in relation to the completeness and occurrence of investment income.
Existence and valuation of investments The investment strategy of the Company is to generate tax-free capital gains and income on investors' funds through equity investment and debt financing in companies within the health and fitness, hospitality, apparel and accessories, and media and technology sectors. The associated investments, which represent approximately 95% of the Company's net assets and are all unquoted; typically in start-ups and owner managed businesses with less transparency around them as compared to well established business and are measured at fair value in accordance with International Private Equity and Venture Capital (IPEVC) valuation guidelines by using measurements of value such as the price of recent investments and model-based valuations driven by multiples such as Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) or revenue. The multiples themselves are subjective and include significant assumptions and management judgment, such as the choice of benchmark. 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, less any impairments. We have therefore identified existence and valuation of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	***Our audit work included, but was not restricted to:*** • Obtaining evidence of existence by agreeing to underlying agreements, bank statements and Companies House filings; • Assessing whether the valuation model used for estimating the valuation of the unquoted investments is appropriate and in line with the requirements of FRS 102 and the IPEVC valuation guidelines; • Assessing whether the assumptions used are reasonable and agreeing inputs to the models used to supporting documentation including to third-party sources; • Challenging management on the valuation methods and inputs used in the valuation models; and • Evaluating the valuation of unquoted investments by agreeing to relevant information such as investees' latest audited Financial Statements or management accounts, and by assessing the rigour of management's ongoing due diligence and valuation process. The Company's accounting policy on unquoted investments is shown in Note 5(a) to the Financial Statements and related disclosures are included in Note 12. The Audit Committee identified valuation of unquoted investments as a significant issue in its report on page 43, where the Audit Committee also described the action that it has taken to address this issue. Key observations Our audit work did not identify any issues concerning the existence or valuation of investments.

Independent Auditor's Report continued

Our application of 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 £693,000, which is approximately 1% of net assets. This benchmark is considered the most appropriate net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's performance.

Materiality for the current year is higher than the level that we determined for the year ended 31 March 2018 to reflect the increase in the Company's net assets during the year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality

We also determine a lower level of specific materiality for certain areas such as investment income, management fees and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £34,650. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Company's business, its environment and risk profile. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the its accounting records is outsourced to third-party service providers. Therefore, our audit work was focused on:

Obtaining an understanding of, and evaluating, relevant internal controls at the Company and the third-party service providers, and inspecting records and documents held by them; and

Performing substantive testing on existence and valuation of the unquoted investments; and agreeing the investment income to an independent source and bank statement for completeness and occurrence.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the Financial Statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the Financial Statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company. We determined that the following laws and regulations were most significant: FRS 102, s258 and s332 of the Income Tax Act 2007, Companies Act 2006 and AIC SORP.
- We understood how the Company is complying with those legal and regulatory frameworks by, making inquiries to the management and the Company Secretary. We corroborated our inquiries through our review of Board minutes and evaluation of the Company's compliance with HMRC Venture Capital Trust rules.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - challenging assumptions and judgments made by management in its significant accounting estimates;
  - designing audit procedures to identify unusual journal transactions during the year and testing journal entries posted at the year end.
- We did not identify any key audit matters relating to irregularities, including fraud, as a result of our audit procedures.

Other information

The Directors are responsible for the other information.

The other information comprises the information included in the Annual Report, other than the Financial Statements other than and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 45 – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 43 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 42 the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 45, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed at the annual general meeting held in August 2014. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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.

Andrew Heffron
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
29 July 2019

Financial Statements

Income Statement

for the year ended 31 March 2019

	Note	Year ended 31.03.19 Revenue £	Year ended 31.03.19 Capital £	Year ended 31.03.19 Total £	Year ended 31.03.18 Revenue £	Year ended 31.03.18 Capital £	Year ended 31.03.18 Total £
Realised/unrealised gains and losses on investments	12	–	6,355,060	6,355,060	–	4,093,607	4,093,607
Income	5,6	1,019,812	–	1,019,812	1,024,531	–	1,024,531
Investment Adviser's fees	7	(295,520)	(886,543)	(1,182,063)	(172,500)	(517,500)	(690,000)
Other expenses	8	(366,064)	–	(366,064)	(339,726)	(29,600)	(369,326)
Profit before tax		358,228	5,468,517	5,826,745	512,305	3,546,507	4,058,812
Tax	9	(68,000)	68,000	–	(89,700)	89,700	–
Profit attributable to equity shareholders		290,228	5,536,517	5,826,745	422,605	3,636,207	4,058,812
Return per share (pence)							
Ordinary shares	11	0.51	16.73	17.24	1.31	11.27	12.58
B Ordinary shares	11	0.59	7.54	8.14	0.74	6.36	7.10

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 and updated in February 2018. A separate Statement of Comprehensive Income has not been prepared as all comprehensive income is included in the Income Statement.

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

Unaudited non-statutory analysis between the Ordinary and B Ordinary shares

	Note	Ordinary shares Revenue £	Ordinary shares Capital £	Ordinary shares Total £	B Ordinary shares Revenue £	B Ordinary shares Capital £	B Ordinary shares Total £
Realised/unrealised gains and losses on investments	12	–	3,341,722	3,341,722	–	3,013,338	3,013,338
Income	5,6	356,108	–	356,108	663,704	–	663,704
Investment Adviser's fees	7	(111,976)	(335,926)	(447,902)	(183,544)	(550,617)	(734,161)
Other expenses	8	(129,332)	–	(129,332)	(236,732)	–	(236,732)
Profit before tax		114,800	3,005,796	3,120,596	243,428	2,462,721	2,706,149
Tax	9	(22,000)	22,000	–	(46,000)	46,000	–
Profit attributable to equity shareholders		92,800	3,027,796	3,120,596	197,428	2,508,721	2,706,149

The accompanying notes on pages 59 to 70 are an integral part of the Financial Statements.

Balance Sheet

as at 31 March 2019

	Note	As at 31.03.19 £	As at 31.03.18 £
Fixed assets			
Investments	12	64,713,367	46,549,669
Current assets			
Debtors	14	2,214,681	1,792,460
Cash at bank and in hand		1,079,815	3,249,641
		3,294,496	5,042,101
Creditors: amounts falling due within one year	15	(239,962)	(371,858)
Net current assets		3,054,534	4,670,243
Net assets		67,767,901	51,219,912
Capital and reserves			
Called up share capital	16,17	562,956	447,104
Share premium account	17	41,139,405	28,903,490
Capital redemption reserve	17	2,412	1,429
Special reserve	17	11,651,819	13,283,325
Capital reserves	17	13,349,021	7,812,504
Revenue reserves	17	1,062,288	772,060
Total shareholders' funds		67,767,901	51,219,912
Net asset value per Ordinary share (pence)	18	138.27	124.03
Net asset value per B Ordinary share (pence)	18	111.90	108.12

The Financial Statements were approved by the Directors authorised for issue on 29 July 2019 and signed on their behalf by:

Jonathan Djanogly
Director

The accompanying notes on pages 59 to 70 are an integral part of the Financial Statements.

Balance Sheet continued

as at 31 March 2019

Unaudited Non-statutory analysis between the Ordinary and B Ordinary share funds

	Note	As at 31.03.19 Ordinary shares £	As at 31.03.19 B Ordinary shares £	As at 31.03.19 Total £	As at 31.03.18 Ordinary shares £	As at 31.03.18 B Ordinary shares £	As at 31.03.18 Total £
Fixed assets							
Investments	12	26,545,181	38,168,186	64,713,367	22,855,370	23,694,299	46,549,669
Current assets							
Debtors	14	–	2,214,681	2,214,681	61,596	1,730,864	1,792,460
Cash at bank and in hand		(1,473,466)	2,553,281	1,079,815	(327,817)	3,577,458	3,249,641
		(1,473,466)	4,767,962	3,294,496	(266,221)	5,308,322	5,042,101
Creditors: amounts falling due within one year	15	(48,483)	(191,479)	(239,962)	(146,777)	(225,081)	(371,858)
Net current assets		(1,521,949)	4,576,483	3,054,534	(412,998)	5,083,241	4,670,243
Net assets		25,023,232	42,744,669	67,767,901	22,442,372	28,777,540	51,219,912
Capital and reserves							
Called up share capital	16,17	180,976	381,980	562,956	180,950	266,154	447,104
Share premium account	17	1,607,024	39,532,381	41,139,405	1,603,935	27,299,555	28,903,490
Capital redemption reserve	17	500	1,912	2,412	500	929	1,429
Special reserve	17	13,833,643	(2,181,824)	11,651,819	14,376,494	(1,093,169)	13,283,325
Capital reserves	17	9,010,555	4,338,466	13,349,021	5,982,759	1,829,745	7,812,504
Revenue reserves	17	390,534	671,754	1,062,288	297,734	474,326	772,060
Total shareholders' funds		25,023,232	42,744,669	67,767,901	22,442,372	28,777,540	51,219,912
Net asset value per share (pence)	18	138.27	111.90	n/a	124.03	108.12	n/a

The accompanying notes on pages 59 to 70 are an integral part of the Financial Statements.

Statement of Changes in Equity

for the year ended 31 March 2019

For the year ended 31 March 2019	Non-distributable reserves				Distributable reserves			Total
	Called up share capital £	Share premium £	Capital redemption reserve £	Capital reserve £	Special reserve £	Capital reserve £	Revenue reserve £	Total reserves £
Opening balance as at 1 April 2018	447,104	28,903,490	1,429	9,467,409	13,283,325	(1,654,905)	772,060	51,219,912
Shares issued	116,835	12,568,304	–	–	–	–	–	12,685,139
Shares bought back	(983)	–	983	–	(101,957)	–	–	(101,957)
Share issue expenses	–	(332,389)	–	–	–	–	–	(332,389)
Dividends paid	–	–	–	–	(1,529,549)	–	–	(1,529,549)
Profit for the year	–	–	–	6,738,060	–	(1,201,543)	290,228	5,826,745
Closing balance as at 31 March 2019	562,956	41,139,405	2,412	16,205,469	11,651,819	(2,856,448)	1,062,288	67,767,901

For the year ended 31 March 2018	Non-distributable reserves				Distributable reserves			Total
	Called up share capital £	Share premium £	Capital redemption reserve £	Capital reserve £	Special reserve £	Capital reserve £	Revenue reserve £	Total reserves £
Opening balance as at 1 April 2017	333,781	16,856,191	500	5,373,802	14,669,638	(1,197,505)	349,455	36,385,862
Shares issued	114,252	12,310,167	–	–	–	–	–	12,424,419
Shares bought back	(929)	–	929	–	(89,676)	–	–	(89,676)
Share issue expenses	–	(262,868)	–	–	–	–	–	(262,868)
Dividends paid	–	–	–	–	(1,296,637)	–	–	(1,296,637)
Profit for the year	–	–	–	4,093,607	–	(457,400)	422,605	4,058,812
Closing balance as at 31 March 2018	447,104	28,903,490	1,429	9,467,409	13,283,325	(1,654,905)	772,060	51,219,912

The accompanying notes on pages 59 to 70 are an integral part of the Financial Statements.

Statement of Changes in Equity continued

for the year ended 31 March 2019

Unaudited non-statutory analysis between the Ordinary and B Ordinary share funds

Ordinary shares	Non-distributable reserves				Distributable reserves			Total
	Called up share capital £	Share premium £	Capital redemption reserve £	Capital reserve £	Special reserve £	Capital reserve £	Revenue reserve £	Total reserves £
Opening balance as at 1 April 2018	180,950	1,603,935	500	6,971,203	14,376,494	(988,444)	297,734	22,442,372
Shares issued	26	3,089	–	–	–	–	–	3,115
Dividends paid	–	–	–	–	(542,851)	–	–	(542,851)
Profit for the year	–	–	–	3,611,722	–	(583,926)	92,800	3,120,596
Closing balance as at 31 March 2019	180,976	1,607,024	500	10,582,925	13,833,643	(1,572,370)	390,534	25,023,232

B Ordinary shares	Non-distributable reserves				Distributable reserves			Total
	Called up share capital £	Share premium £	Capital redemption reserve £	Capital reserve £	Special reserve £	Capital reserve £	Revenue reserve £	Total reserves £
Opening balance as at 1 April 2018	266,154	27,299,555	929	2,496,206	(1,093,169)	(666,461)	474,326	28,777,540
Shares issued	116,809	12,565,215	–	–	–	–	–	12,682,024
Shares bought back	(983)	–	983	–	(101,957)	–	–	(101,957)
Share issue expenses	–	(332,389)	–	–	–	–	–	(332,389)
Dividends paid	–	–	–	–	(986,698)	–	–	(986,698)
Profit for the year	–	–	–	3,126,338	–	(617,617)	197,428	2,706,149
Closing balance as at 31 March 2019	381,980	39,532,381	1,912	5,622,544	(2,181,824)	(1,284,078)	671,754	42,744,669

The accompanying notes on pages 59 to 70 are an integral part of the Financial Statements.

Cash Flow Statement

for the year ended 31 March 2019

	Note	Year ended 31.03.19 £	Year ended 31.03.18 £
Operating activities			
Investment income received – qualifying		89,913	128,810
Deposit and similar interest received – non-qualifying		6,223	6,841
Investment Adviser's fees paid		(1,401,585)	(651,478)
Company secretarial fees paid		(62,496)	(149,678)
Cash paid to and on behalf of Directors		(52,667)	(43,576)
Tax		–	(35,570)
Other cash payments		(206,700)	(288,562)
Net cash outflow from operating activities	19	(1,627,312)	(1,033,213)
Cash flows from investing activities			
Purchase of investments		(9,073,979)	(5,602,584)
Long-term loans made		(2,155,000)	(3,395,000)
Long-term loans repaid		382,000	45,000
Net cash outflow from investing activities		(10,846,979)	(8,952,584)
Net cash outflow before financing		(12,474,291)	(9,985,797)
Cash flows from financing activities			
Net proceeds from share issues		11,834,014	12,467,074
Share buybacks paid		–	(89,676)
Equity dividends paid		(1,529,549)	(1,296,637)
Net cash inflow from financing		10,304,465	11,080,761
(Decrease)/increase in cash and cash equivalents		(2,169,826)	1,094,964
Cash and cash equivalents at the beginning of the year		3,249,641	2,154,677
Cash and cash equivalents at the end of the year		1,079,815	3,249,641

The accompanying notes on pages 59 to 70 are an integral part of the Financial Statements.

Cash Flow Statement continued

for the year ended 31 March 2019

Unaudited non-statutory analysis between the Ordinary and B Ordinary share funds

	Year ended 31.03.19			Year ended 31.03.18		
	Ordinary shares £	B Ordinary shares £	Total £	Ordinary shares £	B Ordinary shares £	Total £
Operating activities						
Investment income received – qualifying	46,246	43,667	89,913	100,810	28,000	128,810
Deposit and similar interest received – non-qualifying	–	6,223	6,223	–	6,841	6,841
Investment Adviser's fees paid	(546,160)	(855,425)	(1,401,585)	(342,117)	(309,361)	(651,478)
Company secretarial fees paid	(22,618)	(39,878)	(62,496)	(74,820)	(74,858)	(149,678)
Cash paid to and on behalf of Directors	(18,389)	(34,278)	(52,667)	(20,037)	(23,539)	(43,576)
Tax	–	–	–	(26,040)	(9,530)	(35,570)
Other cash payments	(85,546)	(121,154)	(206,700)	(79,535)	(209,027)	(288,562)
Net cash outflow from operating activities	(626,467)	(1,000,845)	(1,627,312)	(441,739)	(591,474)	(1,033,213)
Cash flows from investing activities						
Purchase of investments	–	(9,073,979)	(9,073,979)	–	(5,602,584)	(5,602,584)
Long-term loans made	–	(2,155,000)	(2,155,000)	–	(3,395,000)	(3,395,000)
Loans repaid	–	382,000	382,000	–	45,000	45,000
Net cash outflow from investing activities	–	(10,846,979)	(10,846,979)	–	(8,952,584)	(8,952,584)
Net cash outflow before financing	(626,467)	(11,847,824)	(12,474,291)	(441,739)	(9,544,058)	(9,985,797)
Cash flows from financing activities						
Net proceeds from share issues	23,669	11,810,345	11,834,014	3,050	12,464,024	12,467,074
Share buybacks paid	–	–	–	–	(89,676)	(89,676)
Equity dividends paid	(542,851)	(986,698)	(1,529,549)	(542,786)	(753,851)	(1,296,637)
Net cash (outflow)/inflow from financing	(519,182)	10,823,647	10,304,465	(539,736)	11,620,497	11,080,761
(Decrease)/increase in cash	(1,145,649)	(1,024,177)	(2,169,826)	(981,475)	2,076,439	1,094,964

The accompanying notes on pages 59 to 70 are an integral part of the Financial Statements.

Notes to the Financial Statements

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 unlisted growth companies.

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 and updated in February 2018 with consequential amendments. 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.

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 the Financial Statements may require the Board to make judgments and estimates that affect the application of policies and reported amounts of assets.

The carrying value of the unquoted fixed asset investments requires estimates to determine fair values. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. However, because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. All unquoted investments are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines December 2018 ("IPEVCV guidelines"), this relies on subjective estimates such as appropriate sector earnings multiples, forecast results of investee companies and liquidity or marketability of the investments held. Although the estimates and the assumptions applied are under continuous review to ensure that the fair values are appropriately stated there is a risk that the carrying value of an unquoted investment may require material adjustment either within the next year or in the longer term. More information related to the unquoted investment and their valuations is included in Note 12 and in the Investment Adviser's Review.

No judgments have been applied in selection and application of accounting policy.

5. Accounting policies

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

a) Investments

The Company did not hold any listed investments at any time during the reporting period. 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. The fair value of unquoted investments is assessed by the Directors with reference to the IPEVCV guidelines, which includes the following techniques:

(i) Where a value is indicated by a material arms-length transaction by an independent third party in the shares of a company within the last 12 months. This value will be used only if, after careful consideration of all the facts and circumstances it is considered the best measure of fair value.

(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 effective rate of interest. Loan stock investments receivable within the next 12 months are classified as short term.

Notes to the Financial Statements continued

5. Accounting policies *(continued)*

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 s14.4.

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) Performance fees

Performance fees predominantly relate to the capital performance of the portfolio and are therefore charged 100% to capital. Performance fees are accrued and a liability is recognised when they are likely to be payable and can be reliably measured.

e) Debtors

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

f) Creditors

Short-term trade creditors are measured at the transaction price.

g) 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. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue return on the "marginal" basis as recommended in the SORP.

Any tax relief obtained in respect of management fees allocated to capital is reflected in the capital column of the Statement of Comprehensive Income and a corresponding amount is charged against the revenue column. The tax relief is the amount by which corporation tax payable is reduced as a result of these capital expenses.

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.

h) Financial instruments

The Company has elected to apply the provisions of s11 'Basic Financial Instruments' and s12 '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.

i) 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

	2019 £	2018 £
Interest receivable – revenue		
– from bank deposits	6,223	6,841
– from loan stock	1,005,570	902,504
– Other interest	–	(36,624)
– arrangement fees received	2,020	14,000
Dividends receivable	5,999	137,810
	1,019,812	1,024,531

7. Investment Adviser's fees

	2019 £	2018 £
Pembroke Investment Managers LLP	1,182,063	690,000

Pembroke 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 12 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 page 34.

No performance fee is due in respect of the year ended 31 March 2019 (2018: £nil).

8. Other expenses

Other expenses include:	2019 £	2018 £
Company secretarial fees	83,832	75,661
Auditor's remuneration – audit of Statutory Financial Statements	39,975	39,000
Printing and stationery	33,506	26,902
Marketing	12,820	53,952
Insurance	37,608	17,607
Investment acquisition costs	–	25,100
Employers NI on Directors' remuneration	4,080	2,575
Other costs	64,355	44,585
Irrecoverable VAT	46,050	48,943

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 39.

Notes to the Financial Statements continued

9. Tax

a) Analysis of tax charge	2019 £	2018 £
Current year charge:		
Revenue charge	89,700	68,000
Credited to capital return	(89,700)	(68,000)
Current tax charge (Note 9b))	–	–
Prior year charge:		
Revenue Charge	–	–
Credited to capital return	–	–
Total current and prior year tax charge	–	–

b) Factors affecting tax charge for the year	2019 £	2018 £
Total return before tax	5,826,745	4,015,812
Effect of:		
Corporation tax at 19% (2018: 19%)	1,107,081	771,174
Non-taxable gains on investments	(1,207,464)	(777,785)
Non-taxable dividends	(1,140)	(26,184)
Movement in excess management expenses	101,523	32,795
Other movements	–	–
Tax charge for year (Note 9a))	–	–

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 £168,000 (2017: £78,000). This is calculated using a corporation tax rate of 17% which is the rate at which it is deemed that any losses would be utilised.

10. Dividends paid

Dividends recognised as distributions paid to equity holders during the year:	2019 £	2018 £
Interim dividend on Ordinary and B Ordinary shares for the year ended 31 March 2017 of 1 pence per share	–	427,839
Final dividend on Ordinary and B Ordinary shares for the year ended 31 March 2017 of 2 pence per share	–	868,798
Final dividend on Ordinary and B Ordinary shares for the year ended 31 March 2018 of 3 pence per share	1,529,549	–
	1,529,549	1,296,637

Dividends paid or payable in respect of the financial year:	2019 £	2018 £
Final dividend on Ordinary and B Ordinary shares for the year ended 31 March 2019 of 3 pence per share – payable on 31 October 2019* (2018: 3 pence)	2,107,154	1,529,549

*Based on shares in issue at 5 July 2019.

All dividends are paid from the special reserve.

11. Return per share

	2019			2018		
	Revenue	Capital	Total	Revenue	Capital	Total
Earnings per Ordinary share (pence)	0.51	16.73	17.24	1.31	11.27	12.58
Earnings per B Ordinary share (pence)	0.59	7.54	8.14	0.74	6.36	7.10

Basic revenue return per Ordinary share is based on the net revenue gain after taxation of £92,800 (2018: £237,186) and on 18,095,587 (2017: 18,093,800) 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 £3,027,796 (2018: £2,038,593) and on 18,095,587 (2018: 18,093,800) 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 gain after taxation of £197,428 (2018: £185,419) and on 33,255,599 (2018: 25,114,084) B Ordinary shares, being the weighted average number of shares in issue during the year. Basic capital return per B Ordinary share is based on the net capital return after taxation of £2,508,721 (2018: £1,597,614) and on 33,255,599 (2018: 25,114,084) Ordinary shares, being the weighted average number of shares in issue during the year.

12. Investments

Movements in investments during the year are summarised as follows:	Shares £	Loan stock £	Total £
Opening valuation:			
Cost at 31 March 2018	23,688,674	11,583,200	35,271,874
Unrealised gains at 31 March 2018	11,629,883	–	11,629,883
Unrealised losses on loan notes at 31 March 2018	–	(2,145,000)	(2,145,000)
Interest rolled up in fixed income investments	–	1,792,912	1,792,912
Valuation at 31 March 2018	35,318,557	11,231,112	46,549,669
Movements in the year:			
Purchases at cost	9,073,979	2,155,000	11,228,979
Disposal proceeds	–	(382,000)	(382,000)
Loans converted to equity	1,000,000	(1,000,000)	–
Loan interest converted to equity	27,628	–	27,628
Unrealised gains/(losses)	6,748,088	(10,028)	6,738,060
Realised gains/(losses) on disposals	(270,000)	(113,000)	(383,000)
Interest rolled up in fixed income investments	–	934,031	934,031
Total movements in year	16,579,695	1,584,003	18,163,698
Closing valuation:			
Cost at 31 March 2019	33,520,281	12,243,200	45,763,481
Unrealised gains at 31 March 2019	18,377,971	–	18,377,971
Unrealised losses on loan notes at 31 March 2019	–	(2,155,028)	(2,155,028)
Interest rolled up in fixed income investments	–	2,726,943	2,726,943
Valuation at 31 March 2019	51,898,252	12,815,115	64,713,367

As at 31 March 2019, the Company had no arrangements in place to dispose of any of its holdings.

Notes to the Financial Statements continued

12. Investments *(continued)*

During the year, the following changes in valuation of unquoted shares were considered material:

	Carrying value at 1 April 2018 £	Additions in the year £	Increase/ (decrease) in valuation £	Carrying value at 31 March 2019 £
Alexa Chung	1,977,500	1,124,202	(846,741)	2,254,961
Five Guys UK	4,614,521	–	1,748,415	6,362,936
Second Home	4,875,862	–	(658,678)	4,217,184
Bella Freud	1,915,453	350,000	1,290,084	3,555,537
ME+EM	974,418	89,646	2,364,446	3,428,510

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 IPEVCV 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 and 13.

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	equity holding %
La Bottega (LBID Holdings Limited)	87.6
Bella Freud (Bella Freud Limited)	37.9
Plenish (Plenish Cleanse Limited)	32.7
Troubadour Goods (Troubadour Goods Limited)	32.5
Boom Cycle (Boom Spin Limited)	32.1
Sourced Market (SP Market Limited)	30.8
Chucs Bar & Grill (Chucs Bar & Grill Limited)	28.3
Bella Freud Perfume (Bella Freud Parfum Limited)	22.5
Kat Maconie (Kat Maconie Limited)	22.3
Boat International Media (Boat International Limited)	21.6
Alexa Chung (Alpha Charlie Limited)	21.1
LYMA (Lyma Life Limited)	14.9
N is for Nursery (N is for Nursery Limited)	12.7
ME+EM (ME and EM Limited)	12.3
Heist (Carousel Ventures Limited)	12.0

Investment	equity holding %
KX Gym (KX Group Holding Limited)	11.8
Chucs (Chucs Limited)	11.6
KX U (KX U Limited)	10.3
PlayerLayer (PlayerLayer Limited)	10.3
Popsa (Popsa Holdings Limited)	9.8
Secret Food Tours (Essor Limited)	9.1
Floom (Floom Limited)	8.2
Bel-Air Inc (Bel-Air Inc Limited)	8.0
HotelMap (HotelMap.com Limited)	5.3
Stylindex (Stylindex Limited)	5.1
Stillking Films UK (2020 Group Limited)	5.0
Beryl (SMIDSY Ltd)	4.7
Unbolted (Open Access Finance Ltd)	4.2
Second Home (Second Homes Limited)	3.2

Details of holdings may be found in the Investment Adviser's Review and Investment Portfolio on pages 12 to 31.

The Company held 88% of La Bottega as at 31 March 2019 as a result of a debt to equity transaction that was on-going at the reporting date. Although considered a subsidiary, the investment is held as part of the investment portfolio and is therefore excluded from consolidation as a result. At the date of signing the report, the Company held 49.5% of the issued share capital in La Bottega.

14. Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Prepayments and accrued income	99,788	321,731
Other debtors	653,068	8,904
Short-term loan	1,461,825	1,461,825
	2,214,681	1,792,460

15. Creditors: amounts falling due within one year

	2019 £	2018 £
Sundry creditors and accruals	239,962	369,838
Deferred income	–	2,020
	239,962	371,858

Notes to the Financial Statements continued

16. Called up share capital

	No of Ordinary shares*	No of B Ordinary shares**	No of shares Total	Total shares £
Allotted, called-up and fully paid at 1 April 2018:	18,095,005	26,615,404	44,710,409	447,104
Issued during the year	2,583	11,680,867	11,683,450	116,835
Repurchased during the year	–	(98,270)	(98,270)	(983)
At 31 March 2019	18,097,588	38,198,001	56,295,589	562,956

*Ordinary shares of 1 pence each
**B Ordinary shares of 1 pence each

During the year, the Company issued 2,583 Ordinary shares as detailed below:

Allotted, called up and fully paid:	No of Ordinary shares	Nominal value £	Consideration received £
Ordinary shares issued on 31 October 2018	2,583	26	3,115

During the year, the Company issued 11,680,867 B Ordinary shares as detailed below:

Allotted, called up and fully paid:	No of B Ordinary shares	Nominal value £	Consideration received £
Ordinary shares issued on 5 April 2018	3,859,164	38,592	4,049,900
Ordinary shares issued on 29 June 2018	1,234,434	12,344	1,292,500
Ordinary shares issued on 27 September 2018	1,277,645	12,776	1,406,000
Ordinary shares issued on 31 October 2018 (DIS)	87,591	876	91,208
Ordinary shares issued on 12 December 2018	3,309,656	33,097	3,629,252
Ordinary shares issued on 20 February 2019	1,912,377	19,124	2,213,164
	11,680,867	116,809	12,682,024

98,270 B Ordinary shares were bought back during the year ended 31 March 2019.

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 includes 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 2019 there were realised losses of £2,856,448 (2018 losses: £1,654,905) which are distributable, the balance is unrealised and 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 2019 is £9,857,659 (2018: £12,400,480).

18. Net asset value per share

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

	2019 Net asset values attributable		2018 Net asset values attributable	
	Net assets	Net assets per share (p)	Net assets	Net assets per share (p)
Ordinary shares	£25,023,232	138.27	£22,442,372	124.03
B Ordinary shares	£42,744,669	111.90	£28,777,540	108.12

Net asset value per Ordinary share is based on net assets at the year end and on 18,097,588 (2018: 18,095,005) 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 38,198,001 (2018: 26,615,404) 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

	2019 £	2018 £
Profit before taxation for the year	5,826,745	4,058,812
Net gain on investments	(6,355,073)	(4,093,607)
Decrease/(increase) in debtors (excluding share issue proceeds and short-term loans)	59,110	(11,250)
Increase in interest rolled up in fixed income investments	(961,657)	(879,504)
Decrease in creditors and accruals (excluding share issue expenses, short-term loans and fixed asset investment balances)	(196,437)	(107,664)
Net cash outflow from operating activities	(1,627,312)	(1,033,213)

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.

Fixed asset investments are valued at fair value through profit or loss. Unquoted investments are valued by the Directors using rules consistent with International Private Equity and Venture Capital Association ("IPEV") guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet. Further details of the bases on which financial instruments, including investments, are held may be found at Notes 5 and 12 and in the Investment Adviser's Review on pages 12 and 13.

The Company held the following categories of financial instruments at 31 March 2019:

	2019		2018	
	Cost £	Fair value £	Cost £	Fair value £
Assets at fair value through profit or loss:				
Equity investments	33,520,281	51,898,252	23,688,674	35,318,557
Loan stock	14,970,143	12,815,115	13,376,112	11,231,112
Assets measured at amortised cost:				
Cash at bank	1,079,815	1,079,815	3,249,641	3,249,641
Other debtors	717,445	717,445	278,616	278,616
Short-term loans	1,461,825	1,461,825	1,461,825	1,461,825
Liabilities measured at amortised cost:				
Creditors	(239,962)	(239,962)	(371,858)	(371,858)
	51,509,547	67,732,490	41,683,010	51,167,893

Notes to the Financial Statements continued

20. Financial instruments *(continued)*

Loans to investee companies are treated as fair value through profit or 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 96% (2018: 91.0%) 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 £15,903,601 (2018: £16,220,472).

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 not 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 £9,812,654 and 17.4 pence (2018: £6,982,450 and 15.6 pence) 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 2019, the Company's financial assets by value, excluding short-term debtors and creditors which are not exposed to interest rate risk, comprised:

20. Financial instruments *(continued)*

Financial assets	£	%	Interest rate	Weighted average interest rate %	Fixed term years
Venture capital investments					
Ordinary shares	53,362,544	79.2	n/a	n/a	n/a
Loan stock	132,979	0.2	Fixed	12.0	5.0
Loan stock	229,984	0.3	Fixed	9.0	5.0
Loan stock	560,932	0.8	Fixed	8.0	5.0
Loan stock	344,015	0.5	Fixed	9.0	5.0
Loan stock	2,970,290	4.4	Fixed	12.0	5.0
Loan stock	264,972	0.4	Fixed	12.0	5.0
Loan stock	200,000	0.3	Fixed	12.0	5.0
Loan stock interest	237,992	0.4	n/a	n/a	n/a
Loan stock	499,219	0.7	Fixed	12.0	5.0
Loan stock	540,219	0.8	Fixed	8.0	5.0
Loan stock	409,085	0.7	Fixed	12.0	5.0
Loan stock	253,616	0.4	Fixed	8.0	5.0
Loan stock	568,260	0.8	Fixed	10.0	5.0
Loan stock	128,932	0.2	Fixed	12.0	5.0
Loan stock	124,493	0.2	Fixed	12.0	5.0
Loan stock	134,844	0.2	Fixed	10.0	5.0
Loan stock	309,205	0.5	Fixed	10.0	5.0
Loan stock	251,918	0.4	Fixed	10.0	5.0
Loan stock	136,332	0.2	Floating	8.0	5.0
Loan stock	66,359	0.1	Floating	8.0	5.0
Loan stock	237,008	0.3	Fixed	8.0	5.0
Loan stock	253,743	0.4	Fixed	8.0	5.0
Loan stock	272,592	0.4	Fixed	12.0	5.0
Loan stock	265,484	0.4	Fixed	8.0	5.0
Loan stock	202,176	0.3	Fixed	12.0	5.0
Loan stock	250,479	0.4	Fixed	7.0	5.0
Loan stock	603,968	0.9	Fixed	12.0	5.0
Loan stock	730,781	1.1	Fixed	12.0	5.0
Loan stock	537,556	0.8	Fixed	12.0	5.0
Loan stock	547,682	0.8	Fixed	12.0	1.0
Advance subscription	300,000	0.4	n/a	n/a	n/a
Advance subscription	250,000	0.4	n/a	n/a	n/a
Bank deposits	1,079,815	1.6	Floating	0.15	n/a
	67,257,474	100.0			

It is estimated that, if the floating interest rate fell to 0%, pre-tax profit for the year would fall by 0.04% (2018: 0.14%) on an annualised basis.

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

Liquidity risk

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

Notes to the Financial Statements continued

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 the Company's year end the following transactions have taken place:

- The Company has made investments of £5,020,309, including £3,190,750 follow-on investments in existing holdings and £1,829,559 in new in investments. The Company has no other investments at the balance sheet date.
- 3,485,020 B Ordinary shares were allotted under the B Ordinary share offer on 1 April 2019 raising net proceeds of £4,035,850.
- 6,223,959 B Ordinary shares were allotted under the B Ordinary share offer on 5 April 2019 raising net proceeds of £7,221,507.
- 1,132,694 B Ordinary shares were allotted under the B Ordinary share offer on 16 May 2019 raising net proceeds of £1,323,876.
- 3,101,214 B Ordinary shares were allotted under the B Ordinary share offer on 4 July 2019 raising net proceeds of £3,646,489.

23. Geographical analysis

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

24. Related parties

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

David Till, a non-executive Director of the Company, is a member of OIM. During the year ended 31 March 2019, £1,182,063 was payable to OIM for Investment Adviser services of which £13,379 was owed to OIM at the year end (2018: £690,000, of which £232,888 was owed at the year end).

OIM, acted as promoter for the offer opened on 27 September 2018. The fees in the year amounted to £169,835 out of which OCL cover the costs of the offer. The costs paid by the Company in the year amounted to £124,375. OIM were paid £45,460 in fees, resulting in a balance of £nil owed at the year end. Following the year end, additional promoter fee income of £397,713 was recognised and as at the date of signing the Financial Statements OIM owed the Company £nil.

David Till, a non-executive Director of the Company, is a director of Oakley Capital Limited ("OCL"). OCL acted as promoter for all previous offers including the offer which closed during the year. The fees in the year amounted to £164,195 (2018: £389,700) out of which OCL cover the costs of the offer. During the year the costs paid by the Company amounted to £36,385 and refunds in respect of listing fees previously paid amounted £75,425. OCL paid the Company £25,200 resulting in a balance of £1,221 owed from the Company to OCL at the year end (2018: OCL owed the Company £227,214).

The remuneration and shareholdings of the Directors, who are key management personnel of the Company, is disclosed in the Directors' Remuneration Report on page 39.

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 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 fourth annual general meeting of Pembroke VCT plc will be held at 8.30 am on Thursday, 26 September 2019 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 9 will be proposed as Ordinary Resolutions and Resolutions 10 and 11 will be proposed as Special Resolutions):

Ordinary Resolutions

1. To receive the Directors' and the Independent Auditor's Reports and the Company's Financial Statements for the year ended 31 March 2019.
2. To approve final dividends of 3 pence per Ordinary share and 3 pence per B Ordinary share in respect of the year ended 31 March 2019 with a payment date of 31 October 2019 and a record date of 27 September 2019.
3. To receive and approve the Directors' Remuneration Report for the year ended 31 March 2019.
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 Jonathan Djanogly as a Director of the Company.
7. To re-elect Laurence Blackall as a Director of the Company.
8. To elect David Till as a Director of the Company.
9. That, in accordance with article 147 of the Company's Articles of Association and in addition to existing authorities, the Directors of the Company be and hereby generally and unconditionally authorised in accordance with s551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot and issue Ordinary and B Ordinary shares pursuant to the terms and conditions of the dividend investment scheme adopted by the Company on 3 December 2015 and in connection with any dividend declared or paid in the period commencing on the date of this Resolution 9 and ending on the date of the next AGM or the date falling 15 months after the date of the passing of this resolution:
   a. Ordinary shares of 1 pence each in the capital of the Company ("Ordinary Shares") up to an aggregate nominal amount representing 10% of the issued Ordinary Share capital from time to time (approximately 1,809,579 Ordinary shares at the date of this notice); and
   b. B Ordinary shares of 1 pence each in the capital of the Company ("B Ordinary Shares") up to an aggregate nominal amount representing 10% of the issued B Ordinary Share capital from time to time (approximately 5,214,089 B Ordinary shares at the date of this notice).

Special Resolutions

10. That, in accordance with s570(1) of the Act, the Directors be and are hereby given power to allot or make offer or agreements to allot equity securities (as defined in s560 of the Act) for cash pursuant to the authorities conferred by resolution 9 above as if s561 of the Act did not apply to any such allotment, and so that:
    a. Reference to the allotment in this resolution shall be construed with s560 of the Act; and
    b. The power conferred by this resolution shall enable the Company to make offers or agreements before the expiry of said power which would or might require equity securities to be allotted after the expiry of the said power and the Directors may allot equity securities of such offers or agreements notwithstanding the expiry of such power.

Notice of Annual General Meeting continued

11. That the Company be and is hereby generally and unconditionally authorised within the meaning of s701 of the Act to make market purchases of Ordinary and B Ordinary Shares of 1 pence 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 1 pence per share, the nominal amount thereof;

 (iii) the maximum price which may be paid for an Ordinary Share or B Ordinary Share is an amount equal to the higher of (i) 105% of the average of the middle market quotation per Ordinary Share or B Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such Ordinary Share or B Ordinary Share is to be purchased and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation.

 (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the AGM of the Company to be held in 2020 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
Company Secretary
29 July 2019

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 close of business on 24 September 2019 (two days, excluding non-working days, prior to 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 at close of business two days prior to 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 using the Form of Proxy on page 75. 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 on page 75. To be valid, the Form of Proxy must be deposited by 8.30 am on 24 September 2019, 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 voting@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 on page 76 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 voting@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 18,095,005 Ordinary Shares and 31,709,002 B Ordinary Shares, therefore the total number of voting rights in the Company as at the date of this notice is 49,804,007.

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

David John Till

All of the registered office and principal place of business

3 Cadogan Gate
London
SW1X 0AS

www.pembrokevct.com

Investment Adviser

Pembroke Investment Managers LLP
3 Cadogan Gate
London
SW1X 0AS

Company Secretary

The City Partnership (UK) Limited
110 George Street
Edinburgh
EH2 4LH

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
Suite C, First Floor
4-6 Staple Inn
London
WC1V 7QH

Reporting Calendar

for year ending 31 March 2020

Results announced:

Interim – October 2019

Annual – July 2020

Form of Proxy

Pembroke VCT plc – Form of Proxy for the Annual General Meeting on 26 September 2019

I/We (block capitals please) ....

of ....

being (a) member(s) of Pembroke VCT plc, hereby appoint (see notes 1 and 2) ....

or failing him/her the chairman of the meeting to be my/our proxy and exercise all or any of my/our rights to attend, speak and vote for me/us in respect of my/our voting entitlement on my/our behalf at the Annual General Meeting of the Company to be held at 3 Cadogan Gate, London SW1X 0AS on 26 September 2019 at 8.30 am, notice of which is dated 29 July 2019, and at any adjournment thereof. The proxy will vote as indicated below in respect of the resolution set out in the notice of meeting:

☐ Please indicate by placing an 'X' in this box if this proxy appointment is one of multiple appointments being made (see note 2 overleaf).

Resolution	For	Against	Vote withheld
1 To receive the Directors' Report and Financial Statements together with the Independent Auditor's Report			
2 To approve final dividends of 3 pence per Ordinary share and 3 pence per B Ordinary share			
3 To approve the Directors' Remuneration Report			
4 To re-appoint Grant Thornton UK LLP as auditor			
5 To authorise the Directors to fix the remuneration of the auditor			
6 To re-elect Jonathan Djanogly as a Director of the Company			
7 To re-elect Laurence Blackall as a Director of the Company			
8 To elect David Till as a Director of the Company			
9 To authorise the allotment and issue of Ordinary and B Ordinary shares pursuant to the DIS			
10 To disapply pre-emption rights in relation to the above allotment			
11 To authorise the Directors to buy back shares			

Please refer to the notes overleaf.

Attendance indication

Shareholders who intend to attend the Annual General Meeting are requested to place a tick in the box below in order to assist with administrative arrangements.

☐ I/We intend to attend the Annual General Meeting at 3 Cadogan Gate, London SW1X 0AS on 26 September 2019 at 8.30 am.

Signed ....

Date 2019

Notes Relating to the Form of Proxy

1. Every member has the right to appoint some other person(s) of his/her choice, who need not be a member, as his/her proxy to exercise all or any of his/her rights to attend, speak or vote on his/her behalf at the meeting. A member wishing to appoint a person other than the chairman of the meeting as proxy should insert the name of such person in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter alongside the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this Form of Proxy has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Any alteration or deletion must be signed or initialled.

2. A member may appoint more than one proxy in relation to a meeting, provided that the proxy is appointed to exercise the rights attached to a different share or shares held by him/her. To appoint more than one proxy, please contact The City Partnership (UK) Limited on 01484 240 910 for (an) additional form(s), or you may photocopy this form. Please indicate alongside the proxy holder's name the number of shares in relation to which the proxy holder is authorised to act as your proxy. Please also indicate by placing an X in the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.

3. Use of the Form of Proxy does not preclude a member from attending and voting in person.

4. Where the Form of Proxy is executed by an individual it must be signed by that individual or his or her attorney.

5. Where the Form of Proxy is executed by joint shareholders it may be signed by any of the members, but the vote of the member whose name stands first in the register of members of the Company will be accepted to the exclusion of the votes of the other joint holders.

6. Where the Form of Proxy is executed by a corporation it must be either under its seal or under the hand of an officer or attorney duly authorised.

7. If the Form of Proxy is signed and returned without any indication as to how the proxy shall vote, the proxy will exercise his/her discretion as to whether and how he/she votes, as he/she will on any other matters to arise at the meeting.

8. To be valid, the Form of Proxy, together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be sent or delivered to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR or by fax to 01252 719232 or by scan and email to voting@shareregistrars.uk.com to be received no later than 8.30 am on 24 September 2019.

9. The "vote withheld" option is provided to enable a member to abstain from voting on the resolution; however, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" and "against" the resolution.







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pembroke
VCT plc

3 Cadogan Gate, London SW1X 0AS

Incorporated in England and Wales
with registered number 08307631