Pembroke VCT plc

Annual report and financial statements

for the year ended 31 March 2021

PEMBROKEVCT.COM


FLOOM

Financial Highlights

Company net asset value
£132.7m

Net asset value total return per share
134.1p

portfolio valuation above cost
44%

Total value of investments
£119.1m

Net asset value per share
116.1p

Investment Objective

Pembroke VCT plc (the "Company") is a generalist VCT focused on early stage investments in founder-led businesses.

The Company invests in a diversified portfolio of small, principally unquoted companies, and selects those which Pembroke Investment Managers LLP (the "Investment Manager") believes provide the opportunity for value appreciation.

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

- Wellness
- Food, Beverage & Hospitality
- Education
- Design
- Media
- Digital Services

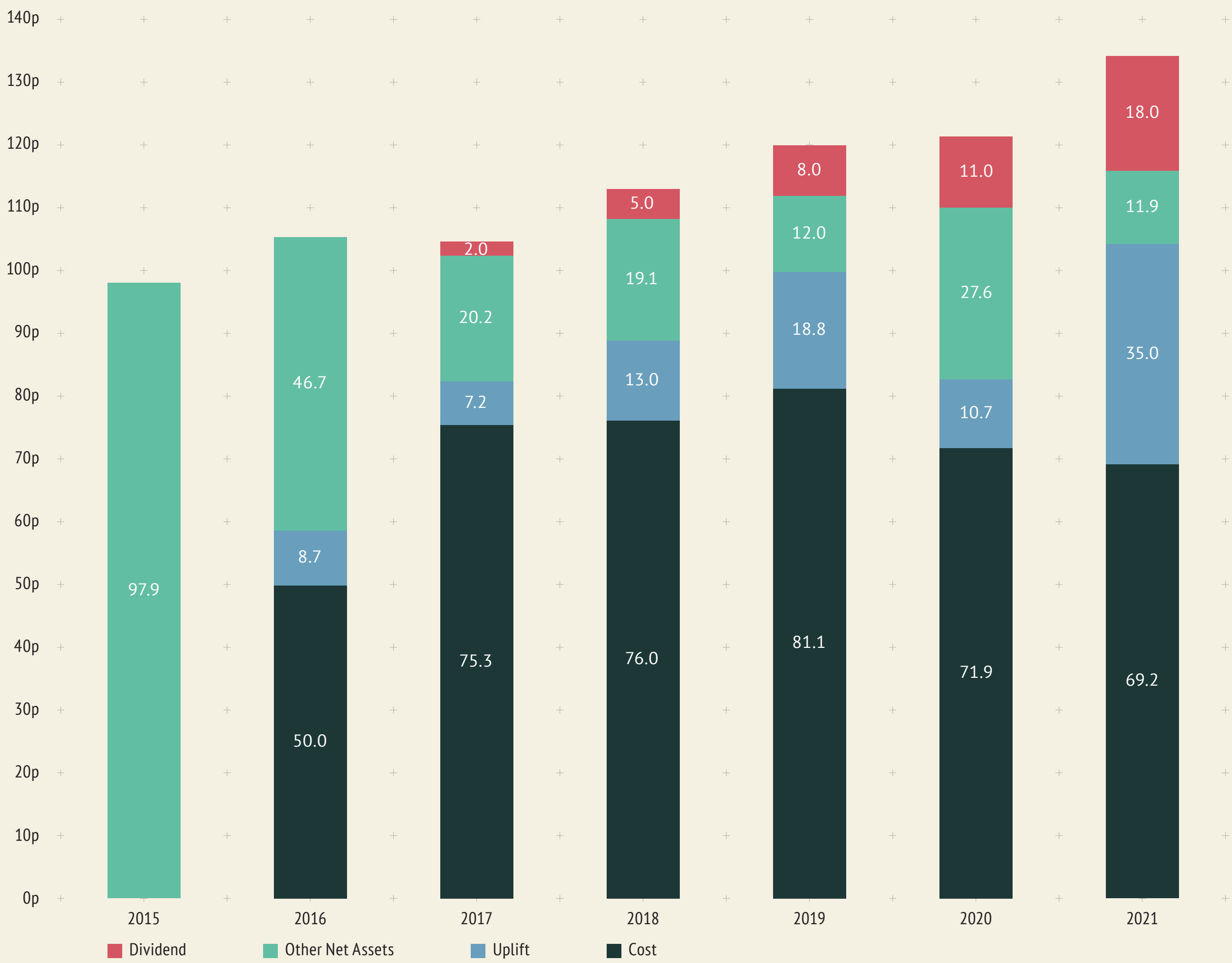
Financial Summary

Results

	Year ended 31.03.21 B Ordinary shares ('000)	Year ended 31.03.21 Ordinary shares ('000)	Year ended 31.03.20 B Ordinary shares ('000)	Year ended 31.03.20 total ('000)
Net assets	£132,666	£20,756	£85,706	£106,462
Number of shares in issue	114,237	18,100	77,708	95,808
Net asset value per share (pence)	116.1	114.7	110.3	n/a
Investment income	£438	£162	£572	£734
(Loss)/profit before tax				
Revenue	(£928)	(£87)	(£235)	(£322)
Capital	£14,937	(£3,641)	£95	(£3,546)
Total	£14,009	(£3,728)	(£140)	(£3,868)
Return per share* (pence)				
Revenue	(0.9)	(0.5)	(0.4)	n/a
Capital	14.6	(20.1)	0.2	n/a
Total	13.7	(20.6)	(0.2)	n/a

On 14 August 2020, the Ordinary Shares were converted into B Ordinary Shares (see note 17).
*This is a measured KPI which has been discussed in the Chairman's Statement on page 8.

NAV performance* – B Ordinary shares



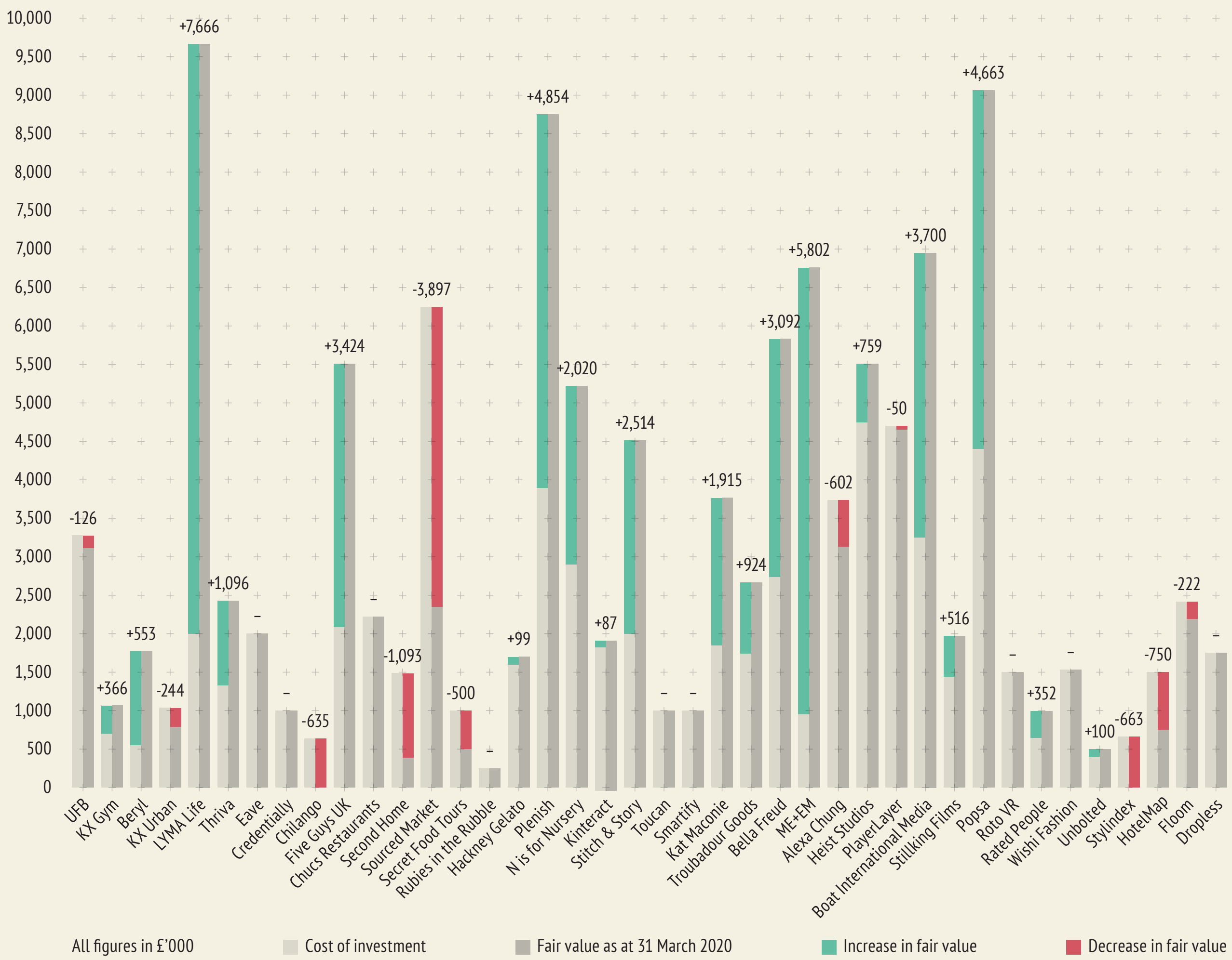
*This is a measured KPI which has been discussed in the Chairman's Statement on page 8.

Total return*

(net asset value ("NAV") plus cumulative dividends paid)	Year ended 31.03.21 B Ordinary shares (pence per share)	Year ended 31.03.20 B Ordinary shares (pence per share)	Year ended 31.03.20 Ordinary shares (pence per share)
Dividends paid during the year ended			
31 March 2015	–	–	3.0
31 March 2016	–	–	0.6
31 March 2017	2.0	2.0	2.0
31 March 2018	3.0	3.0	3.0
31 March 2019	3.0	3.0	3.0
31 March 2020	3.0	3.0	3.0
31 March 2021	7.0	–	–
Total dividends paid since launch	18.0	11.0	14.6
Closing NAV	116.1	110.3	114.7
Total return	134.1	121.3	129.3

On 14 August 2020, the Ordinary Shares were converted into B Ordinary Shares (see note 17).
*This is a measured KPI which has been discussed in the Chairman's Statement on page 8.

Portfolio performance



Chairman's Statement

On behalf of the Board, I am pleased to present the annual results for Pembroke VCT plc for the year ended 31 March 2021.

Overview

We continue to be impressed by the resilience and adaptability shown by the portfolio company founders and their teams since the onset of COVID-19. The focus on founders is central to Pembroke's investment strategy which has proven to be robust during this period of disruption.

We are pleased to report two profitable exits from the portfolio; Pasta Evangelists in January 2021 and Plenish, after the year end, in April 2021. Each exit has allowed the Board to declare a special dividend.

In August 2020 the Company's shareholders voted overwhelmingly in favour of merging the two share classes, with the B Ordinary Shares now the sole share class.

The Company's recent £40 million fundraise was fully subscribed and represents another record fundraise following the £34 million raised in the previous year.

The Company's net asset value ("NAV") at 31 March 2021 was £132.7 million (2020: £106.5 million) and continues an upward trend reflecting underlying investment performance and fundraising. This includes the impact on NAV of the dividends paid in October 2020 and March 2021.

During the period, the total return (NAV plus cumulative dividends paid) of the B Ordinary shares increased 12.8 pence, from 121.3 pence per share to 134.1 pence per share.

The Company made a profit of £14.0 million in the year to 31 March 2021 (2020: £3.9 million loss). The combined realised and unrealised net gains on investments were £16.7 million (2020: £2.2 million loss) and the net income arising from loan notes provided to portfolio companies was £0.4 million (2020: £0.7 million).

Following the year end, in April 2021 the Company bought back shares totalling £9.7 million.

Investment Portfolio Overview

The Board has been pleased with the overall investment performance during the turbulence of COVID-19. During the year the Company invested £6.7 million in five new portfolio companies; Dropless, Eave, Smartify and ToucanTech.
The Company also made follow-on investments totalling £11.8 million into 17 portfolio companies to continue our support of their growth plans.

For further details, see the Investment Manager's Review and Investment Portfolio on pages 12 to 15.

Environmental, Social and Governance ("ESG")

The Board recognises that sustainability and Environmental, Social and Governance (ESG) topics are becoming more and more important to our investors, investment companies, and wider stakeholders. Our portfolio comprises numerous companies for which ESG isn't another 'thing to do' but rather is integrated into the foundations and values of the business. Some of these companies are leaders in sustainability, having received or in the process of achieving external environmental and social transparency certification. Conversely, others are just starting out in understanding how to approach ESG. Pembroke is committed to supporting all of the companies within our portfolio in their ESG journey and understanding impacts of their operations on people and planet. To this end, Pembroke VCT monitors the policies adopted by the Investment Manager and works to improve its own impact by using recycled paper stocks and encouraging our shareholders to move to digital only communications and electronic payment of dividends.

In order to further strengthen the Company's governance the Board has recently introduced a Management Engagement Committee and a Remuneration & Nomination Committee. Both committees will meet as required and at least annually. All four independent non-executive Directors are members of each committee. The Management Engagement Committee is Chaired by Laurence Blackall and will focus on the contracts the Company enters into with third parties; including the services and fees of the Investment Manager, the Administrator, the Company Secretary, the Registrars and lawyers. The Remuneration & Nomination Committee is Chaired by Louise Wolfson.

Dividends

Since September 2020 the Company has paid a total of £12.3 million in dividends. In October 2020 the Company paid a final dividend of 3 pence per share in relation to the year ended 31 March 2020. In March 2021 the Company paid a special dividend of 4 pence per share following the exit from Pasta Evangelists and in June 2021, after the year-end, the Company paid a special dividend of 4 pence per share following the exit from Plenish.

The Board now recommends that shareholders approve, at the forthcoming Annual General Meeting, the payment of a final dividend of 3 pence per share in relation to the year ended 31 March 2021.

VCT Qualifying Status

Philip Hare & Associates provides both the Board and the Investment Manager with advice concerning ongoing compliance with HMRC rules and regulations concerning VCTs. The Board has been advised that Pembroke VCT continues to comply with the HMRC conditions for maintaining its approval as a venture capital trust.

Outlook

The Company has passed the £130 million net asset hurdle and begins the new financial year in a strong position to take advantage of new high-quality investment opportunities as well as supporting the continued growth of its existing portfolio businesses.

Whilst the social and economic challenges of COVID-19 will continue for the medium term, the unwinding of government restrictions should have a positive impact across the Company's portfolio of businesses. The Board and the Investment Manager will continue to monitor the effects of COVID-19 whilst also taking advantage of the opportunities that are emerging.

Annual General Meeting

If COVID-19 restrictions permit, the Annual General Meeting ("AGM") will be held at the Company's offices at 3 Cadogan Gate, London SW1X 0AS on 30 September 2021 at 9.00 am. The AGM will be conducted with a live video stream available to shareholders. We will welcome any questions in writing to the Company Secretary by 17 September 2021.

Jonathan Djanogly
Chairman
24 June 2021

The Board +





Jonathan Djanogly *Laurence Blackall* *Mark Stokes* *Louise Wolfson* *David Till*

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 as a Member of the Trade and Industry Select Committee and more recently as a member of the Exiting the UK Select Committee. He also served on the Opposition front bench as shadow Solicitor General, as a shadow Minister for Trade and Industry with responsibility for employment law and corporate governance, and as a Justice Minister for over two years.

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.

Mark Stokes

Independent non-executive Director

Mark Stokes has over 30 years experience in financial services, and 20 years at Executive Committee level. He is currently Chief Commercial Officer at United Trust Bank, and previously held Managing Director positions at Lloyds Corporate and Commercial Banking, Williams & Glyn, and Metro Bank. Mark has a broad business experience from a career lending into commercial and SME markets, and consumer and asset finance markets, that includes M&A execution and capital markets fund raising. He has also previously served as a Non-Executive Director Alternate with Motobility Operations Group plc. Mark is a member of the Chartered Institute of Bankers, and has completed their Green and Sustainable Finance certification.

Louise Wolfson

Independent non-executive Director

Louise Wolfson is a senior corporate lawyer who was previously a partner at Allen & Overy LLP and Pinsent Masons LLP. She has a particular focus on corporate finance transactions, and has wider experience including mergers and acquisitions, joint ventures, strategic investments, capital raisings and listings. Louise currently works as a freelance legal consultant and sits as a tribunal judge hearing social security and immigration appeals. Louise is also a director of Women's Pioneer Housing, a housing association which supports women in West London.

David Till

Non-independent non-executive Director

David Till co-founded the Oakley Capital Group in 2002. David 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 18 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 Manager's Review

Overview

The Company made five new investments and made follow-on investments in 17 companies in the year to 31 March 2021, spanning the Company's knowledge in the wellness, food, beverage & hospitality, education, design, media and digital services sectors.

At the year end, the portfolio comprised 40 investments with a cost of £82.7 million and a fair value of £119.1 million, representing a 44.0% increase.

Fundraise and team

We had our most successful fund raise to date as our £40 million offer was fully subscribed. This will allow us to continue our strategy of investing in exceptional founders. We have taken on a new Portfolio Director, Stefania Ponzo, who was previously at Downing. Stefania will help the portfolio team manage the underlying investments and work on strategy with the founders and management teams.

We have also taken on a new Investment Associate, Angus Nodder, who joins us from Ruffer LLP. We are currently recruiting for another Portfolio Associate.

Investment activity

The Company invested £6.7 million in the five new investments made during the year and has invested a further £11.8 million in the form of debt and equity investments in 17 existing portfolio companies.

The five new investments were Credentially, Dropless, Eave, Smartify and ToucanTech, 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.

Credentially

Credentially was launched in 2016 by founders Kit Latham, a former A&E doctor, and Artem Stalpouski, a software engineer. They combined their experience and expertise to address the lengthy hiring processes, disjointed onboarding efforts and fragmented compliance reporting that healthcare providers currently experience. Built with both the candidate and organisation in mind and using machine-learning technology, Credentially eliminates many of the challenges associated with traditional sign-up methods and recruitment across healthcare, achieving a 90% reduction in manual administrative work.

Dropless

Dropless was launched in 2018 by co-founders Christian Duncan and Mike Grindy, with the goal of bringing digital and sustainable innovation - alongside exceptional customer service – to vehicle owners globally.

Dropless uses electric mopeds and bikes to reach its clients, and provide a water-free vehicle cleaning service, saving up to 150 litres of water for every vehicle washed. Its innovative approach also means there is no run-off wastewater, helping to preserve the local environment.

Launched initially in Southwest London, Dropless' tech-enabled service now caters to both consumers and business fleets, including the likes of Amazon, Royal Mail and DPD. The company has subsequently expanded its reach to cover all of London, Bath, Bristol and Manchester with plans for further growth in 2021. Dropless has also extended its service to include scratch and dent repairs and servicing.

Eave

EAVE was founded in 2015 by Dr David Greenberg to address occupational hearing loss challenges, through the development of the first smart headset. EAVE's patented technology, uniquely combines real-time monitoring and reporting of noise exposure, personalised hearing protection and wireless communication into a single active ear defender product.

The headset features revolutionary 'Hear-Through' technology which allows wearers to be more aware of their surroundings, whilst also importantly preventing deafness, the most reported occupational disease in the EU. Hearing loss is now the greatest modifiable risk factor for developing dementia.

Smartify

Smartify, founded in 2015 by four friends; Anna Lowe, Thanos Kokkiniotis, Nick Mueller and Ron Rijmoet, helps people make meaningful connections with art whilst providing museums with next generation digital technology.

Partnering with over 160 museums worldwide, the app instantly identifies two million digitised artworks and has achieved the status of the world's most downloaded museum app, with over one million downloads.

Smartify has delivered a notable 300% growth in the past year, having successfully adapted to deliver online arts education during the pandemic, and provide digital support for museums globally as they reopen. It has also established partnerships with world-class institutions including London's National Gallery, The Smithsonian and the Belvedere Palace in Vienna.

ToucanTech

ToucanTech, a London-based cloud software company, founded by Kate Jillings and Sian Morley-Smith, provides schools, charities and companies with an online hub to manage all their community activities in one place. Many education and charity sector organisations do not have the luxury of large teams to manage their community activities and encourage donations. Existing databases are often clunky, expensive and unable to meet communication and fundraising needs. ToucanTech is a single platform to provide an all-in-one solution to manage and engage dispersed communities. The Company has over 160 clients, tracks over £250 million of donations through its database, and, on average, users send 150,000 emails per month to the 1 million+ people in their networks via the platform.

The 17 follow-on investments were made into Alexa Chung, Bella Freud, Boom, Hackney Gelato, Heist, Kat Maconie, Kinteract, Lyma Life, ME+EM, N is for Nursery, PlayerLayer, Plenish, Popsa, Roto VR, Sourced Market, Stitch & Story and Troubadour Goods. All investments were made by the B Ordinary share class.

Since the year end, the Company has made investments totalling £5.5 million in eight companies including two new in investments totalling £2.7 million and six follow-on investments of £2.8 million in aggregate.

Investment performance

In January 2021, Pembroke VCT sold its investment in Pasta Evangelists to Barilla Group. Pembroke VCT invested in Pasta Evangelists in January 2020 and received £4.5 million for the sale of its entire equity holding. This represents a 2.3 times money multiple with an IRR return of 135%. The related special dividend of 4 pence per share was paid on 3 March 2021.

Since the year end, the VCT has also exited its holding in *Plenish*. A related special dividend of 4 pence per share has been declared and was paid on 21 June 2021.

In the previous financial year, the COVID-19 pandemic caused disruption to our portfolio companies with physical sites. *Boom, KX, KXU, Five Guys, Chucs Bar & Grill, Second Home* and *Sourced Market*, all had to temporarily close in line with Government guidelines. We are pleased to report that many of these companies were able to trade through the pandemic using click-and-collect and on-line ordering/delivery partners. All companies are now trading from their physical locations.

Secret Food Tours and *HotelMap* were greatly affected by international travel being shut down. Both companies are now trading again having not required any financial support during the period.

We are pleased to report that many of our companies traded well throughout the year despite the impact of COVID-19.

N is for Nursery has continued to grow and now has ten sites. The company received third party funding in the summer of 2020 to increase this expansion through a mixture of faster organic growth and acquisitions. *Boom Cycle* merged with KOBOX to form *United Fitness Brands* and has since followed this up with the acquisition of Barrecore turning the business from a five site, spin-only boutique fitness provider into a multi-disciplinary pay-as-you-go fitness group with 20 sites across the UK.

ME+EM continues its significant growth year-on-year despite its retail stores being closed for most of the period. Similarly, *Stitch & Story* has grown meaningfully and was able to take advantage of new commercial licencing opportunities. *Bella Freud, Alexa Chung* and *Kat Maconie* have also had a good year as their focus shifts away from a traditional wholesale model to direct to consumer fashion brands.

Popsa has continued to perform ahead of both its investment case and its budget growing revenue twofold in the year to December 2020 and it continues to be ahead of budget this year.

Boat International has continued to reap the rewards for the data side of its business, Boat Pro. With the market for superyacht purchases and charters looking to be the best it has been for a number of years; Boat Pro is quickly becoming the go-to resource for those in the industry.

Lyma was a significant beneficiary as more consumers started to focus on their health and wellbeing. The supplement business grew exponentially during the year and was complimented by the launch of the Lyma Laser.

Other investments where there have been improved trading performance include *Hackney Gelato, Rubies in the Rubble* and *PlayerLayer*.

Seven investments are held at the price of recent investment (*Eave, Credentially, Chucs Restaurants, ToucanTech, Smartify, Roto VR* and *Dropless*) which we consider to be fair value, given that evidence of significant movement from the original investment appraisal has not yet been observed.

The Pembroke investment process considers environmental, social, and governance matters as part of the evaluation, due diligence and investment committee stages. They are also considered as part of ongoing portfolio monitoring.

Further details may be found in the Investment Portfolio and Investment Review on pages 12 to 15.

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 Manager, before being reviewed and approved by the Board.

In determining fair value, the Investment Manager uses various valuation approaches, including a combination of the price of recent investment and a market-based approach. The market-based 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

B Ordinary shares

	As at 31 March 2021			As at 31 March 2020		
	Cost £'000	Fair value £'000	% of net assets	Cost £'000	Fair value £'000	% of net assets
Wellness						
United Fitness Brands (previously Boom Cycle)	3,276	3,150	2.4	2,647	2,218	2.6
KX Gym	700	1,066	0.8	–	–	–
Beryl	553	1,771	1.3	353	1,130	1.3
KX Urban	1,034	790	0.6	1,034	790	0.9
LYMA Life	2,001	9,667	7.3	1,550	2,752	3.2
Thriva	1,330	2,426	1.8	1,330	1,601	1.9
Eave	2,000	2,000	1.5	–	–	–
Credentially	1,000	1,000	0.8	–	–	–
	11,894	21,870	16.5	6,914	8,491	9.9
Food, Beverage and Hospitality						
Chilango	635	–	–	85	–	–
Five Guys UK	2,083	5,507	4.2	570	1,648	1.9
La Bottega	–	–	–	585	–	–
Chucs Bar & Grill	–	–	–	5,110	2,220	2.6
Chucs Restaurants	2,220	2,220	1.7	960	155	0.2
Second Home	1,485	392	0.2	4,317	3,459	4.0
Sourced Market	6,247	2,350	1.8	300	–	–
Secret Food Tours	1,000	500	0.4	1,000	1,860	2.2
Rubies in the Rubble	250	250	0.2	250	107	0.1
Hackney Gelato	1,600	1,699	1.3	1,000	1,000	1.2
Pasta Evangelists	–	–	–	2,000	2,000	2.3
Plenish	3,895	8,749	6.6	3,070	5,406	6.3
	19,415	21,667	16.4	19,247	17,855	20.8
Education						
N is for Nursery	3,200	5,220	3.9	2,115	3,591	4.2
Kinteract	1,975	2,062	1.6	1,250	1,337	1.6
Stitch & Story	2,000	4,514	3.4	1,000	2,175	2.5
Toucan	1,000	1,000	0.8	–	–	–
Smartify	1,000	1,000	0.8	–	–	–
	9,175	13,796	10.5	4,365	7,103	8.3
Design						
Kat Maconie	1,850	3,765	2.8	1,230	1,230	1.4
Troubadour Goods	1,740	2,664	2.0	900	624	0.7
Bella Freud	2,738	5,830	4.4	1,600	1,972	2.3
Chucs	–	–	–	225	–	–
ME+EM	955	6,757	5.1	890	5,195	6.1
Alexa Chung	3,733	3,131	2.4	3,374	2,014	2.3
Heist Studios	4,749	5,508	4.2	4,249	1,811	2.1
PlayerLayer	4,701	4,651	3.5	3,151	2,850	3.3
	20,466	32,306	24.4	15,619	15,696	18.2
Media						
Boat International Media	3,250	6,950	5.2	1,150	1,150	1.3
Stillking Films	1,452	1,968	1.5	–	–	–
Popsa	4,400	9,063	6.8	2,400	5,727	6.7
Roto VR	1,500	1,500	1.0	1,000	1,071	1.2
	10,602	19,481	14.5	4,550	7,948	9.2
Digital services						
Rated People	641	993	0.7	56	161	0.2
Wishi Fashion	153	153	0.1	153	153	0.2
Unbolted	400	500	0.4	400	500	0.6
Stylindex	663	–	–	663	663	0.8
HotelMap	1,500	750	0.6	1,500	1,500	1.8
Floom	2,415	2,193	1.7	2,415	2,193	2.6
Dropless	1,750	1,750	1.3	–	–	–
	7,522	6,339	4.8	5,187	5,170	6.2
Investments before interest	79,074	115,459	87.1	55,882	62,263	72.6
Interest rolled up in fixed income investments*	3,620	3,620	2.7	1,963	1,963	2.3
Total investments	82,694	119,079	89.8	57,845	64,226	74.9
Net current assets	13,844	13,836	10.4	21,480	21,480	25.1
Non-current liabilities	(249)	(249)	(0.2)	–	–	–
Net assets	96,289	132,666	100.0	79,325	85,706	100.0

*Added to investments in the Financial Statements

Ordinary shares
converted to B Ordinary Shares in August 2020

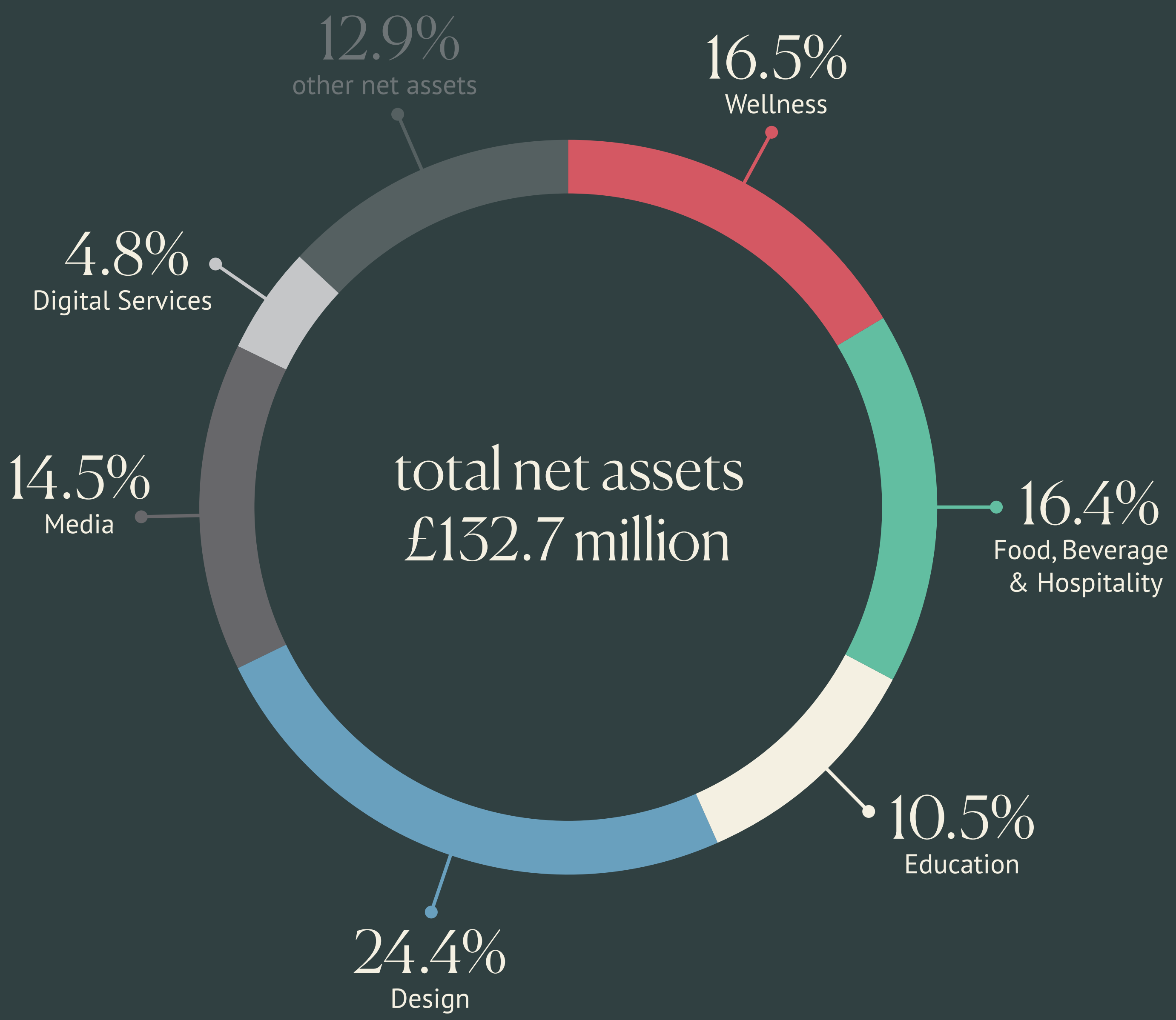
	As at 31 March 2020		
	Cost £'000	Fair value £'000	% of net assets
Wellness			
United Fitness Brands (previously Boom Cycle)	429	268	1.3
KX Gym	700	1,285	6.2
	1,129	1,553	7.5
Food, Beverage and Hospitality			
Chilango	550	–	–
Five Guys UK	1,513	4,371	21.1
La Bottega	1,960	–	–
Chucs Bar & Grill	614	–	–
Second Home	525	311	1.5
Sourced Market	830	856	4.1
Plenish	325	3,796	18.3
	6,317	9,334	45.0
Design			
Kat Maconie	320	2,235	10.8
Troubadour Goods	590	785	3.8
Bella Freud	400	1,250	6.0
Bella Freud Parfum	190	325	1.6
Chucs	990	–	–
	2,490	4,595	22.2
Media			
Boat International Media	2,100	2,966	14.3
Stillking Films	1,452	2,346	11.3
	3,552	5,312	25.6
Digital Services			
Rated People	586	1,104	5.3
Beryl	200	641	3.1
	786	1,745	8.4
Investments before interest	14,274	22,539	108.7
Interest rolled up in fixed income investments*	1,332	1,332	6.4
Total investments	15,606	23,871	115.1
Net current assets	(3,115)	(3,115)	(15.1)
Net assets	12,491	20,756	100.0

*Added to investments in the Financial Statements

Investment Portfolio continued

Segment analysis

The chart below shows the segmental breakdown of the investment portfolio based on net asset value as at 31 March 2021.



+Wellness

16.5%

of net assets

UNITED • FITNESS • BRANDS

(formerly Boom Cycle)

United Fitness Brands (UFB) exists to curate the best in class fitness verticals and support them through national and international growth. Formed through the merger of Boom Cycle, indoor cycling concept which offers a fun, high-intensity cardiovascular workout, and KOBOX, a gym group focused on making boxing accessible to everyone, in early 2021. The group has since acquired Barrecore that offers Barre classes from 12 locations across the UK.

	£'000
Cost	3,276
Valuation	3,150
Interest rolled up in fixed income investment	141
Basis of valuation	Multiples
Equity holding	21%
Investment in the year at cost	200
Total income recognised in the year	71

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.

	£'000
Cost	700
Valuation	1,066
Interest rolled up in fixed income investment	–
Basis of valuation	Multiples
Equity holding	12%
Investment in the year at cost	–
Total income recognised in the year	–

beryl

Beryl is focused on changing the way cities move. The company offers both bike sharing schemes with over 4,000 bikes across the UK and their innovative laserlight as seen on the London Santander Cycles hire bikes. Their bike hire is currently offered in Bournemouth, Hereford, Norwich, Watford and the Isle of Wight with London coming online in 2021.

	£'000
Cost	553
Valuation	1,771
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	4%
Investment in the year at cost	–
Total income recognised in the year	–

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.

	£'000
Cost	1,034
Valuation	790
Interest rolled up in fixed income investment	–
Basis of valuation	Multiples
Equity holding	10%
Investment in the year at cost	–
Total income recognised in the year	–

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.

	£'000
Cost	2,001
Valuation	9,667
Interest rolled up in fixed income investment	26
Basis of valuation	Multiples
Equity holding	20%
Investment in the year at cost	451
Total income recognised in the year	18

thriva

Thriva is a proactive healthcare service, which offers at-home blood tests for a range of health markers such as Vitamin B12, Vitamin D, liver function, folate and iron. Consumers receive the testing kit in the post, and use the apparatus included to take a blood sample via a simple pin-prick. The sample is sent to the lab in a return envelope; results are NHS-grade and available within 48 hours. They also have a range of supplements they can recommend and sell to you based on your test results.

	£'000
Cost	1,330
Valuation	2,426
Interest rolled up in fixed income investment	–
Basis of valuation	Multiples
Equity holding	5%
Investment in the year at cost	–
Total income recognised in the year	–

EAVE

Eave aims to help prevent avoidable deafness through the monitoring of, and protection against damaging noise levels. Its first product is a pair of smart ear defenders designed for the construction industry. Unlike traditional passive hearing protection, these work as part of a complete solution to protect workers from hearing damage, as well as to detect and report noise levels. The company was founded in November 2015 and launched its first product in 2019.

	£'000
Cost	2,000
Valuation	2,000
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	17%
Investment in the year at cost	2,000
Total income recognised in the year	–

credentially

Credentially was founded in October 2016 by former A&E doctor Kit Latham, who experienced first-hand the administrative burden placed on both medical and clerical staff when applying for and filling job vacancies in Health and Social Care. This application process can take up to six months and is resource-intensive, which increases costs for hospitals, takes time away from patients and contributes to burnout in doctors. To reduce this burden, Credentially has developed software that automates the sign-up, verification and ongoing compliance of employees in Health and Social Care.

	£'000
Cost	1,000
Valuation	1,000
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	10%
Investment in the year at cost	1,000
Total income recognised in the year	–

Food, Beverage +Hospitality

16.4%

of net assets

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. Their range includes five different milks as well as a grab-and-go offering. They also offer cold-pressed juices in the UK, offering 100% raw organic (unpasteurised) juice.

	£'000
Cost	3,895
Valuation	8,749
Interest rolled up in fixed income investment	56
Basis of valuation	Market value
Equity holding	38%
Investment in the year at cost	500
Total income recognised in the year	8

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 over 100 outlets in the UK.

	£'000
Cost	2,083
Valuation	5,507
Interest rolled up in fixed income investment	1,515
Basis of valuation	Multiples
Equity holding	1%
Investment in the year at cost	–
Total income recognised in the year	254

BAR & GRILL CHUCS

Chucs Bar & Grill is a restaurant concept reflecting the style and branding of the Italian Riviera. The first restaurant opened on Dover Street in Mayfair, London in 2014 and has since expanded to two more in Westbourne Grove and Belgravia, with a fourth opening in St John's Wood later this year. Chucs now also has two cafés in the family in Kensington and Chelsea.

	£'000
Cost	2,220
Valuation	2,220
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	25%
Investment in the year at cost	–
Total income recognised in the year	–

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.

	£'000
Cost	1,485
Valuation	392
Interest rolled up in fixed income investment	–
Basis of valuation	Multiples
Equity holding	3%
Investment in the year at cost	–
Total income recognised in the year	–

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 has two sites at St Pancras International in King's Cross and at a service station in Leeds Skelton which is a new high footfall location.

	£'000
Cost	6,247
Valuation	2,350
Interest rolled up in fixed income investment	–
Basis of valuation	Multiples
Equity holding	46%
Investment in the year at cost	1,100
Total income recognised in the year	–

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 operates in 58 top-tier cities across four continents.

	£'000
Cost	1,000
Valuation	500
Interest rolled up in fixed income investment	–
Basis of valuation	Market value
Equity holding	9%
Investment in the year at cost	–
Total income recognised in the year	–

RUBIES IN THE RUBBLE

Rubies in the Rubble was founded in 2012 and produces sustainable condiments. Every Rubies product makes use of otherwise discarded ingredients: aesthetically rejected fruit and vegetables, or under-utilised by-products of food production. They have focused on the out-of-home market, whilst also being stocked in leading supermarkets. Their range includes mayo, relishes and a ketchup that contains 3x more fruit and 50% less sugar compared to those of their competitors.

	£'000
Cost	250
Valuation	250
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	3%
Investment in the year at cost	–
Total income recognised in the year	–

HACKNEY GELATO

Hackney Gelato is a new investment in the year that was established in 2015 by two chefs. The brand has quickly become a leading supplier to high-end London restaurants, as well as selling on Ocado and in a number of independent retail outlets.

	£'000
Cost	1,600
Valuation	1,699
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	27%
Investment in the year at cost	599
Total income recognised in the year	–

+Education

10.5%

of net assets

n. family club

N Nursery & Family Club 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 51 weeks per year, 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. The business has 10 live sites and a further two to launch in the summer.

	£'000
Cost	3,200
Valuation	5,220
Interest rolled up in fixed income investment	38
Basis of valuation	Most recent round
Equity holding	12%
Investment in the year at cost	1,085
Total income recognised in the year	20

Kinteract

Kinteract is a digital education platform that enables collaboration between teachers, students and parents, and provides guidance to aid child development. It is aimed at those throughout the schooling and learning sector, both in the UK and internationally. Kinteract is delivered through a simple and elegant interface on desktop, tablet and mobile versions, and allows practitioners, parents and students to record events linked to their learning and development in a collaborative way.

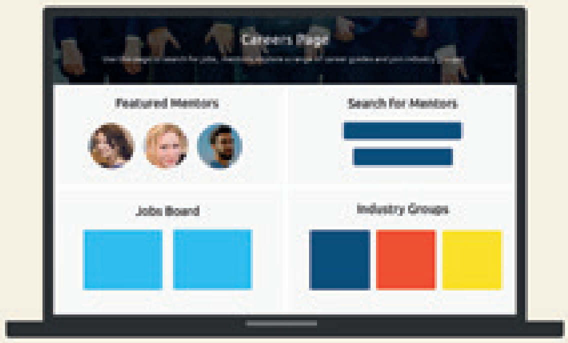
	£'000
Cost	1,975
Valuation	2,062
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	32%
Investment in the year at cost	725
Total income recognised in the year	–

STITCH & STORY®

Stitch & Story, founded in 2012, sells a range of knitting kits, equipment and yarns accompanied by a range of online tutorial videos to teach viewers knitting techniques. Stitch & Story sells its products in the UK, both online and through third party retailers such as John Lewis, Liberty and Fenwick, alongside over 100 boutique gift stores nationwide; it also sells its kits to customers in the US via its website.

	£'000
Cost	2,000
Valuation	4,514
Interest rolled up in fixed income investment	–
Basis of valuation	Multiples
Equity holding	24%
Investment in the year at cost	1,000
Total income recognised in the year	–

NEW



toucantech

ToucanTech is a software-as-a-service (SaaS) CRM and website-builder used by schools, charities and companies to run their communities. It allows organisations to manage marketing, fundraising, alumni communications and events in one easy-to-use, vertically integrated platform. ToucanTech has created a user-friendly, cost-effective community management software platform that encompasses a wide range of features.

	£'000
Cost	1,000
Valuation	1,000
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	13%
Investment in the year at cost	1,000
Total income recognised in the year	–

NEW

SMARTIFY

Smartify is an award-winning digital platform used by some of the world's most popular art and cultural institutions to bring their content to life. Smartify gives its users access to audio tours, a 'Shazam for art' feature covering over two million artworks, and a suite of distance learning tools which have been produced in association with the world's leading cultural institutions. Smartify was founded in 2015 and launched in 2017 by Tate trustee Anna Lowe and digital entrepreneur Thanos Kokkiniotis.

	£'000
Cost	1,000
Valuation	1,000
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	20%
Investment in the year at cost	1,000
Total income recognised in the year	–

+Design

24.4%
of net assets

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 which led to the launch of the Kat Maconie make-up range in 2019. The company opened its first retail concept store in Bermondsey in early 2019, for shopping and women's beauty treatments.

	£'000
Cost	1,850
Valuation	3,765
Interest rolled up in fixed income investment	222
Basis of valuation	Most recent round
Equity holding	26%
Investment in the year at cost	300
Total income recognised in the year	97

TROUBADOUR

Troubadour Goods is a London-based luxury men's and women's accessories brand specialising in designing and creating superior handcrafted leather and textile goods. They launched a wider, more affordable range in 2019, which has increased their market presence.

	£'000
Cost	1,740
Valuation	2,664
Interest rolled up in fixed income investment	55
Basis of valuation	37%
Equity holding	Most recent round
Investment in the year at cost	250
Total income recognised in the year	30

BELLA FREUD

Bella Freud is a fashion designer producing a range of high-end men's and women's clothing and homeware, 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, and around the world.

	£'000
Cost	2,738
Valuation	5,830
Interest rolled up in fixed income investment	359
Basis of valuation	Most recent round
Equity holding	43%
Investment in the year at cost	548
Total income recognised in the year	53

ME+EM

ME+EM, founded in 2008, is a contemporary womenswear brand launched by Clare Hornby, designing and producing its collections primarily through catalogues and online, with seven London retail sites and Selfridges Manchester and London. They have launched online and catalogues in the US this year. The brand targets women aged 30-55 who are busy and fashion conscious, offering a classic aesthetic embodying designer quality at a range of price points.

	£'000
Cost	955
Valuation	6,757
Interest rolled up in fixed income investment	–
Basis of valuation	Multiples
Equity holding	12%
Investment in the year at cost	66
Total income recognised in the year	–

ALEXACHUNG

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

	£'000
Cost	3,733
Valuation	3,131
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	24%
Investment in the year at cost	358
Total income recognised in the year	–

heist

Established in 2015, Heist is a premium hosiery and shape wear manufacturer that seeks to redefine how these products can feel and wear. They launched more products into their shape wear line last year, including the Highlight Short which sold out on release.

	£'000
Cost	4,749
Valuation	5,508
Interest rolled up in fixed income investment	159
Basis of valuation	Most recent round
Equity holding	27%
Investment in the year at cost	500
Total income recognised in the year	87

PLAYERLAYER

PlayerLayer designs and manufactures customised sports kits 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, universities and professional clubs.

	£'000
Cost	4,701
Valuation	4,651
Interest rolled up in fixed income investment	65
Basis of valuation	Most recent round
Equity holding	25%
Investment in the year at cost	1,550
Total income recognised in the year	56

+Media

14.5%

of net assets

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 continues to innovate and in 2019 launched Boat Pro, a superyacht database leveraging its large collection of information on superyachts and the industry.

	£'000
Cost	3,250
Valuation	6,950
Interest rolled up in fixed income investment	936
Basis of valuation	Market value
Equity holding	22%
Investment in the year at cost	–
Total income recognised in the year	99

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.

	£'000
Cost	1,452
Valuation	1,968
Interest rolled up in fixed income investment	–
Basis of valuation	Multiples
Equity holding	5%
Investment in the year at cost	–
Total income recognised in the year	–

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 2 hours to an average of just 6 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.

	£'000
Cost	4,400
Valuation	9,063
Interest rolled up in fixed income investment	–
Basis of valuation	Multiples
Equity holding	19%
Investment in the year at cost	2,000
Total income recognised in the year	–

roto®

Roto VR's flagship product is an interactive virtual reality (VR) chair, which has been developed over a three-year period. It synchronises what users feel with what they see, a phenomenon known as gravitational presence. It does this by auto-rotating wherever the user looks – this is achieved by incorporating accelerometers, gyroscopes and magnetometers inside the Roto Headtracker, a small device that clips on to the user's own VR headset.

	£'000
Cost	1,500
Valuation	1,500
Interest rolled up in fixed income investment	13
Basis of valuation	Most recent round
Equity holding	14%
Investment in the year at cost	500
Total income recognised in the year	13

+Digital services

4.8%

of net assets

rated people

Rated People, founded in 2005, is one of the UK's leading online marketplaces for homeowners to find tradesmen for home improvement work. The company recently secured new funding to grow its market presence and marketed adverts on television.

	£'000
Cost	641
Valuation	993
Interest rolled up in fixed income investment	–
Basis of valuation	Multiples
Equity holding	1%
Investment in the year at cost	–
Total income recognised in the year	–

WISHI

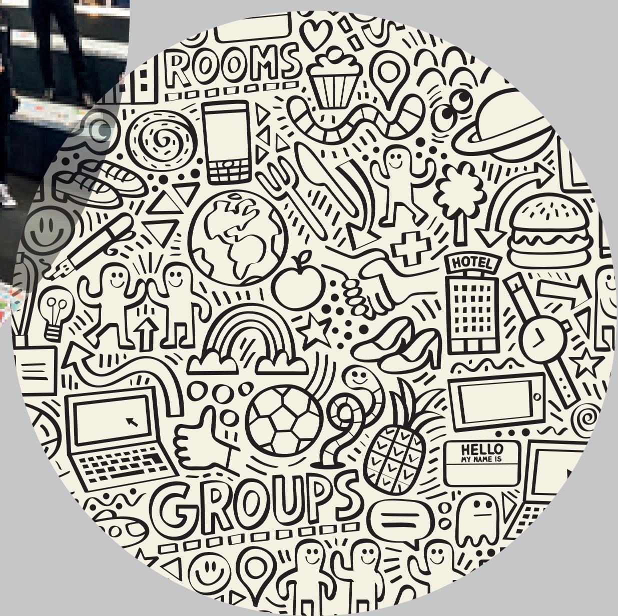
Wishi is an innovative fashion technology business that brings together personal styling and online wardrobe management functionality to help fully exploit an individual's current wardrobe and provide new clothing suggestions personalised to their look.

	£'000
Cost	153
Valuation	153
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	3%
Investment in the year at cost	–
Total income recognised in the year	–

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.

	£'000
Cost	400
Valuation	500
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	6%
Investment in the year at cost	–
Total income recognised in the year	–



HOTELMAP

Founded in 2014, 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. 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.

	£'000
Cost	1,500
Valuation	750
Interest rolled up in fixed income investment	–
Basis of valuation	Market value
Equity holding	5%
Investment in the year at cost	–
Total income recognised in the year	–

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. It also encompasses FloomX which provides a complete back office function for independent florists to make their work more streamlined, efficient and ultimately enjoyable.

	£'000
Cost	2,415
Valuation	2,193
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	23%
Investment in the year at cost	36
Total income recognised in the year	–

dropless

NEW

Dropless is aiming to become the go-to destination for automobile care for both individual consumers and businesses across the UK at your home or workplace. Since launching in March 2018, Dropless has grown rapidly, washing 25,000 vehicles and expanding beyond London to Bristol and Manchester through its regional B2B customers. Using their eco-friendly, non-hazardous nano solutions they help save over 150 litres of water on each and every wash. The company also launched a scratch and dent repair service in November 2020.

	£'000
Cost	1,750
Valuation	1,750
Interest rolled up in fixed income investment	–
Basis of valuation	Most recent round
Equity holding	18%
Investment in the year at cost	1,750
Total income recognised in the year	–

Statutory Reports

Strategic Report

This report has been prepared by the Directors in accordance with the requirements of s414 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 that are founder led, 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 Manager believes provide the opportunity for value appreciation. Pending investment in suitable Qualifying Investments, the Investment Manager will invest in companies intended to generate a positive return, which may include certain money market securities, gilts, listed securities and cash deposits. The Company will continue to hold up to 20% of its net assets 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 Manager considers are capable of organic growth and, in the long term, sustainable cash flow generation. It is likely that the investment will be founder-led 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 Manager 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 20% of investments 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 20% of the net proceeds of any offer 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

Under current VCT legislation, the Company must at all times hold at least 80% of its funds in Qualifying Investments. Funds raised in a period of up to three years are excluded from this requirement, but at least 30% of funds raised in any accounting period must be invested in Qualifying Investments by the anniversary of the end of the accounting period in which those funds were raised.

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 Manager 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 80% of funds raised in Qualifying Investments within three years of the funds being raised (70% until 31 March 2020). However, this programme of investment in Qualifying Investments will take time to complete; thus, in the first three years following a fund raise, 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 20% of its funds in Non-Qualifying Investments.

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 20% of the net proceeds of any offer will be invested in other funds, 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, through targeting a variety of sectors. The Company may invest in a diverse range of securities: unquoted Qualifying Investments will typically be structured as a combination of ordinary shares, preference shares, convertible shares and loans. In order to limit concentration risk in the portfolio, at the time of investment no more than 15% by value of the relevant share pool of the Company will be invested in any single portfolio company. Further, at the time the investment is made, no more than 10% in aggregate of the NAV of the Company may be invested in other listed closed-ended investment funds.

Strategic Report continued

Borrowing

In common with many other VCTs, although currently the Board does not intend that the Company will borrow funds, the Company has the ability to borrow funds provided that the aggregate principal amount outstanding at any time does not exceed 25% of the value of the adjusted capital and reserves of the Company at the time the borrowings are incurred. In summary, this is when the aggregate of (a) the issued share capital, plus (b) any amount standing to the credit of the Company's reserves less (c) any distributions declared and intangible assets and adjusting for any variation to the above since the date of the relevant balance sheet.

Business review

A detailed review of the Company's development and performance during the year and consideration of its future prospects may be obtained by reference to this Report, the Chairman's Statement (pages 8 and 9) and the Investment Manager's Review (pages 12 and 13). Details of the investments made by the Company are given in the Investment Portfolio section (pages 14 and 15). A summary of the Company's key financial measures is given on pages 6 and 7.

The Directors consider the following Key Performance Indicators (KPIs) to assess whether the Company is achieving its strategic objectives:

- Net Asset Value and NAV Total Return per share (discussed on page 8)
- Return per Share (page 6)
- Percentage invested in qualified companies (page 9)

The Directors believe these measures help shareholders assess how effectively the Company is applying its investment policy and are satisfied the results give a good indication of whether the Company is achieving its investment objectives and policy. The KPIs are established industry measures and have been discussed in detail in the Chairman's Statement and Investment Manager's Report on pages 8 and 12.

Management agreement

Pembroke Investment Managers LLP (the "Investment Manager"), which is authorised and regulated by the Financial Conduct Authority to conduct investment business, is the Investment Manager of the Company under the terms of an investment management agreement (the "IMA") entered into on 15 February 2013, novated to the Investment Manager on 1 July 2014 and varied on 1 March 2013, 3 October 2014, 1 December 2017 and 16 July 2020. Pursuant to the IMA, the Investment Manager provides discretionary and advisory investment management services to the Company in respect of its portfolio of investments. The Investment Manager acts as the Alternative Investment Fund Manager to the Company.

The Investment Manager provides services in accordance with the IMA for which it receives a management fee subject to a cost cap of 2% of the Company's NAV. The effect of the cost cap is to restrict the management fee to 2% of NAV less the extent to which the Company's ordinary course annual costs and expenses exceed 0.5% of NAV. The cost cap does not apply to costs and expenses which are not in the ordinary course of the Company's business (for example, costs related to a share offer), any performance incentive fee and costs and expenses outside an agreed extensive list of standard ordinary course costs. Contrary to many other Investment Managers, the Investment Manager does not take any arrangement fees, monitoring fees, directorship fees or exit fees from any of the portfolio companies or the Company itself.

As is customary in the venture capital industry, the Investment Manager is incentivised with a performance fee to align the interests of the Investment Manager and shareholders.

At a General Meeting held on 14 August 2020, a Deed of Amendment & Restatement dated 16 July 2020 was approved thereby revising the IMA and introducing a revised performance incentive fee. The key features of the revised fee are:

- performance incentive fees are only payable to the Manager if the Company's cumulative realised gains are greater than its cumulative realised losses. This high watermark net realised gain approach requires all realised losses, past and future, to be recovered before any performance incentive fees are paid;
- a Total Return hurdle of 3 pence per year from 14 August 2020 must be achieved before a performance incentive fee is paid to the Manager;
- the relevant performance incentive fees remain unchanged at 20%, of the amount by which cumulative realised gains exceed cumulative realised losses, less previous performance incentive fees paid to the Manager;
- the relevant performance incentive fees will be calculated at each financial year end and half year balance sheet dates using information disclosed in the relevant year end or half year financial statements;
- unless all the above conditions are met, no performance incentive fee will be payable to the Manager; and
- no performance incentive fee earned by the Manager will be paid before 1 July 2021.

The adopted Deed of Amendment & Restatement also revised the duration of the Investment Manager's appointment under the IMA. Under the pre-14 August 2020 IMA, there was another three years to run on the initial fixed ten year term (in which the IMA could be terminated). It was resolved to revise these arrangements so that although the Company's current assets and funds would continue to be subject to a one-year rolling notice period, in future, the Manager would have the benefit of a five-year term in relation to any new funds ("New Funds") raised by the Company (and any investments acquired from New Funds). This would revert to a rolling term with termination on one year's notice by either the Company or the Manager after the expiry of the relevant five-year period, although notice to terminate in respect of New Funds given by the Manager would not take effect until such time as the Manager ceases to manage any New Funds.

The Directors are of the opinion that the Investment Manager continues to raise, invest and manage funds for the Company successfully and that the continuing appointment of the Investment Manager 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 s274 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 and emerging 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 Manager 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 Manager performs 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 Manager'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 COVID-19, Brexit, 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. COVID-19 and Brexit could also prove to be events of opportunity as well. The Investment Manager seeks to mitigate any 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 Manager'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 Manager regularly reviews the performance of third-party suppliers at management meetings and the Directors review the performance of the Investment Manager at Board meetings.

Social, environmental, community and human rights issues

The Company had no employees during the year and the Company has five Directors. The Company, being an externally managed investment company with no employees, has no specific policies in relation to environmental matters, social, community and human rights issues although it is committed to supporting these across its portfolio companies. The Investment Manager also considers and evaluates these aspects as part of the investment process. The Company is promoting to its shareholders a wider adoption of electronic communication and electronic payments whilst using recycled paper for those documents which continue to be printed.

Statement on long-term viability

In accordance with the UK Corporate Governance Code in 2018 (the "2018 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 2025, 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 Manager as its AIFM. The Company's Investment Manager was entered on the register of small registered UK AIFMs in February 2014. As an AIFM, the Investment Manager 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
24 June 2021

Directors' Report

This Directors' report incorporates the Corporate Governance Statement on pages 44 to 46 and the Statement of Directors Responsibilities on page 47.

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 s274 of the Income Tax Act 2007.

Directors

The Directors of the Company during the period under review were Jonathan Djanogly, Laurence Blackall, Mark Stokes, Louise Wolfson and David Till. Brief biographical details of the Directors are given on page 10.

Share capital

There were 114,237,168 shares in issue at the year end.

During the year 17,594,139 B Ordinary shares were allotted under Offers for subscription at an average price of 108.62 pence per B Ordinary share raising £19.1 million before deducting issue costs. 834,903 B Ordinary shares were allotted under the DIS at an average price of 109.57 pence per B Ordinary share raising £0.9 million.

Since the year end, 23,168,445 B Ordinary shares have been issued, refer to Note 25 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 2021 no B Ordinary shares were bought back by the Company. Since the year end 9,449,365 B Ordinary shares have been bought back at a value of £9.7 million.

The rights and obligations attaching to the Company's 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 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 2021 and as at the date of this report there were no holdings representing (directly or indirectly) 3% or more of the voting rights attached to the issued share capital of the Company.

Independent auditor

A resolution to appoint BDO 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 47 of this report.

The report of the Independent Auditor is set out on pages 49 to 53 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 auditor is unaware. Each of the Directors has 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 longer term. The Company will continue to provide support for the ongoing development of investee companies and the Company's Investment Manager 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 24 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 the cash holdings. They have also reviewed the budgets and forecasts, which have been subject to liquidity stress tests performed by the Investment Manager, and consider that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. The Company's business activities, together with the factors likely to affect its future development, performance and position including the financial, COVID-19 and Brexit related risks the Company is exposed to, are set out in the Strategic Report on pages 35 to 37. 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 despite the current emergency and unprecedented pace of change. 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.

Section 172 Statement: Directors' duty to promote the success of the Company

This section sets out the Company's Section 172 Statement and should be read in conjunction with the other contents of the Strategic Report. The Directors have a duty to promote the success of the Company for the benefit of its members as a whole. In fulfilling this duty, the Directors have regard to a number of matters including:

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

As an externally managed investment company, the Company does not have employees. Its main stakeholders therefore, comprise the shareholders, the Investment Manager, investee companies, regulators and a small number of service providers.

Shareholders

The Board places great importance on communication with its shareholders and encourages shareholders to attend the AGM and welcomes communication from shareholders as described more fully on page 46 in the Corporate Governance Statement.

Investment Manager

The investment management services are fundamental to the long-term success of the Company through the pursuit of the investment objectives. The Board's decisions are intended to achieve the Company's objective to invest in a diversified portfolio of smaller, principally unquoted companies which the Investment Manager believes provide the opportunity for value creation. The Board regularly monitors the Company's performance in relation to its investment objectives and seeks to maintain a constructive working relationship with the Investment Manager. Representatives of the Investment Manager attend each quarterly Board meeting and provide an update on the performance of companies in the portfolio.

Investee companies

The Company's performance is directly linked to the performance of its underlying investee companies and accordingly, communication with those companies is regarded as very important. The Investment Manager has a director on the board of approximately half of the portfolio companies and communicates with all of them irrespective of this on a regular basis. Investments also carry information rights so that the Company is provided with reporting updates at least monthly.

Regulators

As a UK listed company the Board and Investment Manager comply with the Companies Act, the UKLA, HMRC, UK Accounting Standards and FCA regulatory requirements in addition to the Alternative Investment Fund Managers Directive, to ensure the Company can continue to trade. The Company continued to comply with these regulations throughout the year and to the date of this Report.

Key decision making

The Board has policies for dividends, share buybacks and the dividend investment scheme which are discussed regularly and also discusses fundraising each year to ensure funds are available for investment where opportunities exist with new or existing investee companies. The Board also discusses the cash balances to ensure the Company can pay stable final dividends for investors, with special dividends linked to investment realisations.

Other service providers

Certain providers such as registrar, receiving agent, tax adviser, auditor, lawyers and others contract directly with the Company and do work on its behalf. The quality of the provision of these services is considered by the Directors at Board meetings. The Board's primary focus in promoting the long-term success of the Company for the benefit of the members as a whole, is to direct the Company with a view to achieving the investment objective in a manner consistent with its stated investment policy and strategy.

Global greenhouse gas emissions

The Company has no direct greenhouse gas emissions or energy consumption to report from its operations, being an externally managed investment company. The Company does not fall within the scope of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 effective as of 1 April 2019 which implements the Government's policy on Streamlined Energy and Carbon Reporting, replacing the Carbon Reduction Commitment Scheme. The 2018 Regulations require companies that have consumed over 40,000 kilowatt-hours of energy to include energy and carbon information in their Directors' Report. This does not apply to the Company as it Qualifies as a low energy user.

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
24 June 2021

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"). Ordinary resolutions for the approval of the Directors' Remuneration Policy and the Directors' Annual Report on Remuneration will be put to members at the forthcoming AGM.

The Company's auditor, BDO LLP, is required to give its 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 49 to 53.

Annual statement from the Chairman of the Company

Jonathan Djanogly and Laurence Blackall began their term of office on 27 November 2012, David Till was appointed as a Director of the Company on 28 August 2018. Mark Stokes and Louise Wolfson were appointed as Directors on 1 January 2021. The Board resolved that, with effect from 1 April 2020, the Chairman's annual fee would be increased to £30,000 (from £20,000) and the annual fee for other Directors would be increased to £25,000 (from £15,000). David Till has waived his annual fee with effect from 1 April 2020.

The Company has introduced a Remuneration and Nomination Committee which shall meet as required, and at least, annually. The committee will review the appointments to the Board and its committees and the levels of director remuneration.

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, further to a resolution passed at a General Meeting held on 14 August 2020, place an overall annual limit of £150,000 (£100,000 pre-14 August 2020) 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 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. 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 2021 are shown in the table below.

Director	Total annual fee £	Total fee paid for the year ended 31.03.21 £	Total fee paid for the year ended 31.03.20 £	Percentage change %
David Till*	Nil	Nil	15,000	–
Jonathan Djanogly	30,000	30,000	20,000	50
Laurence Blackall	25,000	25,000	15,000	67
Louise Wolfson**	25,000	6,250	n/a	–
Mark Stokes**	25,000	6,250	n/a	–

*David Till waived his annual fee with effect from 1 April 2020.
**Mark Stokes and Louise Wolfson were appointed to the Board on 1 January 2021.

No taxable benefits were paid to the Directors, no pension related benefits were paid to the Directors and no monies 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. There is no comparative information in respect of employee remuneration as the Company has no employees.

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 2021 and the prior year. There were no outstanding balances due at the year end.

	Year ended 31.03.21 £	Year ended 31.03.20 £	Percentage increase %
Total Directors' fees	67,500	50,000	35
Dividend	7,224,890	2,178,963	232
Total Directors' fees as a % of dividend	0.9%	2.3%	–

Directors' shareholdings (audited)

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

	As at 31.03.21		As at 31.03.20			
Director	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
David Till	329,334	0.29	100,000	0.55	134,693	0.17
Jonathan Djanogly	75,992	0.07	25,000	0.14	25,000	0.03
Laurence Blackall	307,942	0.27	200,000	1.10	100,000	0.13
Louise Wolfson	n/a	n/a	n/a	n/a	n/a	n/a
Mark Stokes	n/a	n/a	n/a	n/a	n/a	n/a

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

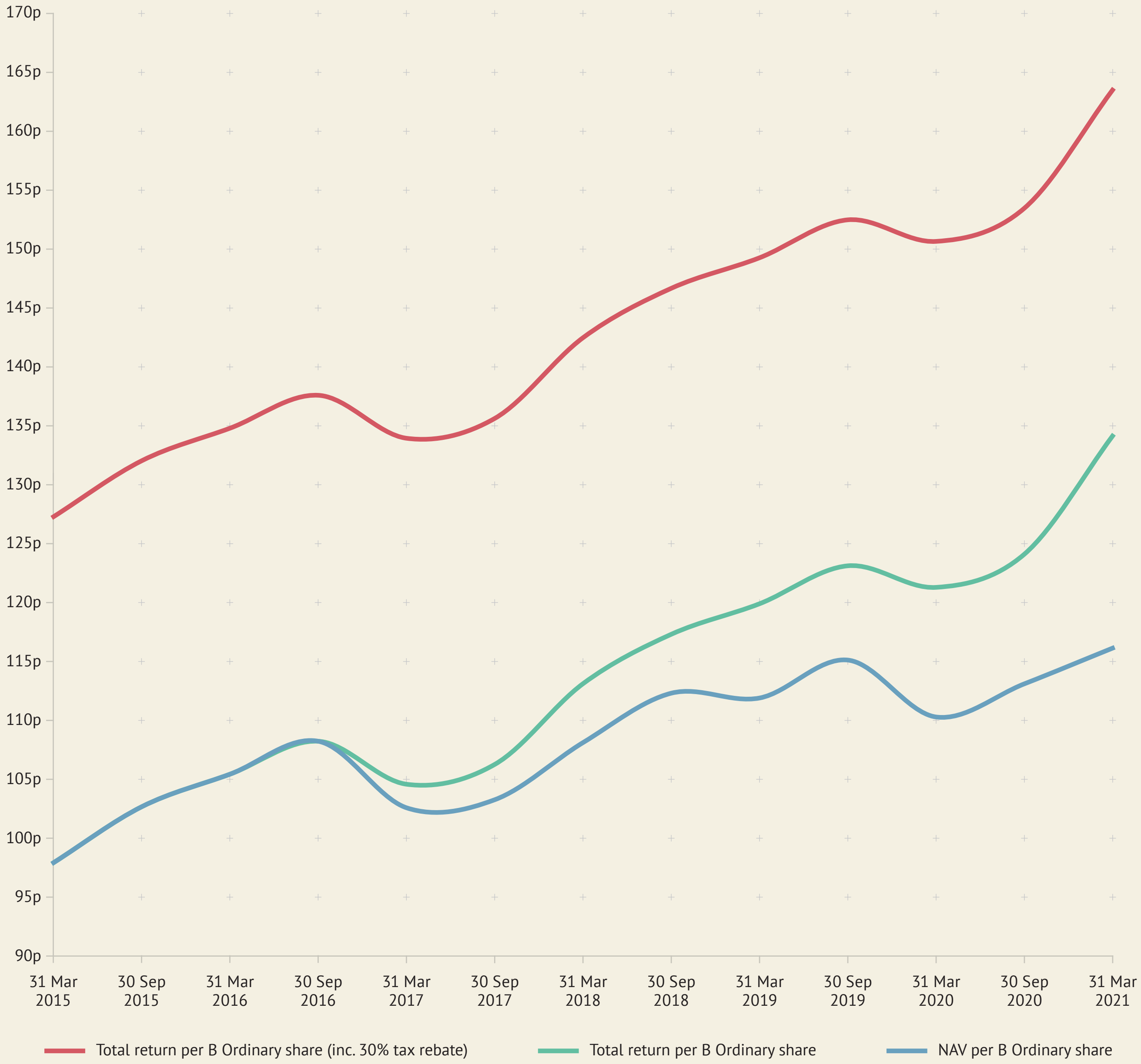
Directors' Remuneration Report continued

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 Manager 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 illustrates the Company's share price, net asset value and total return per share.

Pembroke VCT plc B Ordinary shares



At the AGM held on 30 September 2020, 98.91% of shareholders voted for, 1.09% of shareholders voted against and 24,375 shares were withheld in respect of the resolution approving the Directors' remuneration report and 98.91% voted for, 1.09% voted against and 24,375 shares were withheld in respect of the resolution approving the Directors' Remuneration Policy.

On behalf of the Board
Jonathan Djanogly
Director
24 June 2021

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 "2018 Code") issued by the Financial Reporting Council in 2018 which is publicly available at https://www.frc.org.uk/directors/corporate-governance-and-stewardship/ukcorporate-governance-code. Apart from the matters referred to in the following paragraph, the requirements of the Code were complied with throughout the year ended 31 March 2021.

The Company complies with all the provisions of the 2018 Code, save that:

(i) the Company does not conduct on an annual basis a formal review as to whether there is a need for an internal audit function, as the Directors do not consider that an internal audit would be an appropriate control for a venture capital trust;

(ii) as all the Directors are non-executive and in light of the responsibilities delegated to the manager, its VCT status adviser and Company Secretary, the Company has not appointed a chief executive, deputy chairman or a senior independent non-executive Director; and

(iii) in view of its non-executive nature, to ensure continuity of experience amongst members of the Board and the requirement under the Articles that all Directors are subject to election by shareholders at the first annual general meeting after their appointment and thereafter at every third annual general meeting, the Board considers that it is not appropriate for the Directors to be subject to annual re-election or appointed for a fixed term.

David Till, who is not an independent Director, is subject to annual re-election under the Listing Rules.

Full details of duties and obligations of the Directors are provided at the time of appointment and are supplemented by further details as necessary. 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.

Board of Directors

The Company has a Board of five non-executive Directors, four of whom are considered to be independent. The fifth Director, David Till, is also a member of the Investment Manager. In accordance with the Listing Rules, David Till is subject to annual re-election by shareholders. The Company has no employees.

All non-executive Directors have signed letters confirming the terms of their appointment and are dated with effect from 1 January 2021.

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 Manager and monitoring the performance of the Investment Manager 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 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. With the additional two new Directors in the year 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 those presenting themselves 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 four independent Directors. The members of the committee are Laurence Blackall (Chairman), Jonathan Djanogly, Mark Stokes and Louise Wolfson.

A quorum shall be two members.

During the year ended 31 March 2021 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 Manager, 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 BDO LLP; and
- Reviewing the arrangements for staff of the Investment Manager 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 Manager at the Audit Committee meeting before sign-off of the Financial Statements. The Committee concluded:

Venture Capital status – the Investment Manager 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 Manager 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. Directors are also consulted about material changes to these valuations between Board meetings. The Audit Committee examined the Investment Manager's confirmation and considered it appropriate.

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

The Audit Committee has managed the relationship with the auditor and assessed the effectiveness of the audit process. When assessing the effectiveness of the process for the period under review, the Committee considered the auditor's technical knowledge and that they have a clear understanding of the business of the Company; that the audit team is appropriately resourced; that the auditor provided a clear explanation of the scope and strategy of the audit and maintained independence and objectivity. As part of the review of auditor effectiveness and independence, BDO LLP has confirmed that it is independent of the Company and has complied with applicable auditing standards. They do 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. BDO LLP was appointed by the Board as auditor in February 2019 following a tender process, therefore the current partner has only served for two year-ends. 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 2021 there were:

- Four full Board meetings; and
- Three Audit Committee meetings.

The Directors' attendance at these meetings is noted below.

Director	Board	Audit Committee
Jonathan Djanogly	4	3
Laurence Blackall	4	3
Mark Stokes*	1	1
Louise Wolfson*	1	1
David Till	4	n/a

*Appointed to the Board on 1 January 2021.

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 management 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 Manager. 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 Manager.

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. Shareholders are encouraged to attend the Company's Annual General Meeting where the Directors and representatives of the Company's advisers will be available to answer any questions members may have.

The 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 Manager'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.

The Company distributes investor statements to shareholders annually in January. The Company also provides an Investor Hub, https://pembroke-vct.cityhub.uk.com where shareholders and their financial intermediaries can view their indicative valuations, transaction history, dividend history and deal with a range of administration matters.

On behalf of the Board
Jonathan Djanogly
Director
24 June 2021

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 judgements 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 2021 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 38.

On behalf of the Board
Jonathan Djanogly
Director
24 June 2021

Auditor's Report

Independent Auditor's Report
to the members of Pembroke VCT plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 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;

We have audited the financial statements of Pembroke VCT plc (the 'Company') for the year ended 31 March 2021 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ended 31 March 2020 to 31 March 2021. We remain 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 listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the VCT compliance reports during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status
- Reviewing the forecasted cash flows that support the Directors' assessment of going concern and challenging management's assumptions and judgements made in forecasts, assessing them for reasonableness. In particular we considered the available cash resources relative to the forecast expenditure
- Evaluating management's method of assessing the going concern in light of market volatility and the present uncertainties, including Covid-19
- Calculating financial ratios to consider the financial health of the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2021	2020
Key audit matters	Valuation of Unquoted Investments	X	X
	Revenue recognition		X
	Revenue is no longer considered a key audit matter as it does not involve any significant judgement and does not require significant allocation of time and resources during the audit.		
Materiality	£2,380,000 (2020: £1,806,000) based on 2% (2020: 2%) of gross investments		

Independent Auditor's Report continued

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was 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 this matter.

Key Audit Matter: Valuation of investments (Notes 4 and 12 to the Financial Statements)

All investments held are unquoted. There is a high level of estimation uncertainty involved in determining the unquoted investment valuations; consisting of both equity and loan stock instruments.

The Investment Manager's fee is based on the value of the net assets of the fund, as shown in Note 7.

As the Investment Manager is also responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.

How the scope of our audit addressed the key audit matter

We tested a sample of 91% of the unquoted investment portfolio by value of investment holdings.

66% of the unquoted portfolio is based on valuations using cost (where the investment was recently acquired), the price of a recent investment, or an offer to acquire the investee company. For such investments, we checked the cost or third party offer for a sample of investments to supporting evidence, reviewed the calibration of fair value and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 March 2021. The potential impacts of COVID-19 were considered where relevant.

The remaining 34% of the investment portfolio is valued with reference to more subjective techniques such as using multiples of revenue or earnings, as described in note 12.

Our sample for unquoted equity investments valuation testing is stratified according to risk, having regard to the subjectivity of the inputs to the valuations. Our procedures for the sample selected for detailed testing included:

- Forming a determination of whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEVCV") Guidelines obtaining management explanations
- Re-performing the calculation of the multiples-based investment valuations
- Benchmarking key inputs and estimates to independent information and our own research
- Challenging the assumptions inherent in the valuation of unquoted investments and assessing the impact of the estimation uncertainty concerning these assumptions
- Considering the economic environment in which the investment operates to identify factors that could impact the investment valuation
- We will have particular attention to specific areas surrounding Covid-19. This will be addressed by challenging key assumptions made in the valuation and ensuring that the valuation methodology applied remains applicable given the economic impact of Covid-19.

For a sample of loans held at fair value included above, we:

- Vouched security held to documentation
- Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition and considering the "unit of account" concept
- Reviewed the treatment of accrued redemption premium/other fixed returns in line with the Statement of Recommended Practice

Key observations

Based on the procedures performed we noted that the methodology and assumptions used by the Investment Manager in their valuations to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company Financial Statements 2021	2020
Materiality	£2,380,000	£1,806,000
Basis for determining materiality	2% of gross investments	
Rationale for the benchmark applied	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 2% of gross assets.	
Performance materiality	£1,540,000	£1,173,000
Basis for determining performance materiality	65% of materiality The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Lower testing threshold

Profit before tax could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses. Thus, we have set a lower testing threshold for those items impacting revenue return of £150,000 which is based on 5% of gross expenditure (2020: £239,000).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £40,000 (2020: £36,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statement other than the financial statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Independent Auditor's Report continued

Going concern and longer-term viability	• The Directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and • The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers, and why the period is appropriate.
Other Code provisions	• Directors' statement on fair, balanced and understandable; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and • The section describing the work of the audit committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. 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.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
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

As explained more fully in the Statement of Directors' responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in February 2018 with consequential amendments and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation.

Our tests included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance;
- Obtaining the VCT compliance reports during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status; and
- review of minutes of Board meetings throughout the period.

We assessed the susceptibility of the financial statement to material misstatement including fraud and considered the fraud risk areas to be the valuation of unquoted investments and management override of controls.

Our tests included, but were not limited to:

- The procedures set out in the Key Audit Matters section above;
- Obtained independent evidence to support the ownership of investments;
- Recalculated investment management fees in total;
- Obtained independent confirmation of bank balances; and
- Testing journals and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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.

Vanessa-Jayne Bradley (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK
24 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

Income Statement

for the year ended 31 March 2021

For the year ended 31 March 2021 (audited)	Note	Revenue £'000	Capital £'000	Total £'000
Realised/unrealised gains on investments	12	–	16,741	16,741
Income	5,6	983	–	983
Interest write-offs		(545)	–	(545)
Investment Manager's fees	7	(576)	(1,729)	(2,305)
Other expenses	8	(790)	(75)	(865)
Profit before tax		(928)	14,937	14,009
Tax	9	–	–	–
Profit attributable to equity shareholders		(928)	14,937	14,009
Return per share (pence)				
B Ordinary shares	11	(0.9)	14.6	13.7

For the year ended 31 March 2020 (audited)	Note	Revenue £'000	Capital £'000	Total £'000
Realised/unrealised losses on investments	12	–	(2,207)	(2,207)
Income	5,6	1,398	–	1,398
Interest write-offs		(664)	–	(664)
Investment Manager's fees	7	(446)	(1,339)	(1,785)
Other expenses	8	(610)	–	(610)
Loss before tax		(322)	(3,546)	(3,868)
Tax	9	–	–	–
Loss attributable to equity shareholders		(322)	(3,546)	(3,868)
Return per share (pence) – unaudited				
Ordinary shares		(0.5)	(20.1)	(20.6)
B Ordinary shares	11	(0.4)	0.2	(0.2)

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 October 2019. A separate Statement of Comprehensive Income has not been prepared as all comprehensive income is included in the Income Statement.

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

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

Balance Sheet

as at 31 March 2021

	Note	31.03.21 (audited) £'000	31.03.20 (audited) £'000
Fixed assets			
Investments	12	119,079	88,097
Current assets			
Debtors	14	1,661	2,262
Cash at bank and in hand		12,420	16,423
		14,081	18,685
Creditors: amounts falling due within one year	15	(245)	(321)
Net current assets		13,836	18,364
Creditors: amounts falling due after more than one year	16	(249)	–
Net assets		132,666	106,461
Capital and reserves			
Called up share capital	17, 18	1,142	958
Share premium account	18	11,722	85,486
Capital redemption reserve	18	2	2
Special reserve	18	95,248	9,472
Capital reserves	18	24,740	9,803
Revenue reserve	18	(188)	740
Total shareholders' funds		132,666	106,461
Net asset value per B Ordinary share (pence)	5	116.1	110.3

The Financial Statements were approved by the Directors authorised for issue on 24 June 2021 and signed on their behalf by:

Jonathan Djanogly
Director

Company registered number: 08307631

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 2021

For the year ended 31 March 2021 (audited)	Non-distributable reserves					Distributable reserves			
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve* £'000	Capital reserve £'000	Special reserve* £'000	Capital reserve £'000	Revenue reserve £'000	Total reserves £'000
Opening balance as at 1 April 2020	958	85,486	2	–	14,629	9,472	(4,826)	740	106,461
Total comprehensive income for the period	–	–	–	–	16,740	–	(1,803)	(928)	14,009
Contributions by and distributions to owners									
Shares issued	177	19,849	–	–	–	(915)	–	–	19,111
Share issue expenses	–	(605)	–	–	–	–	–	–	(605)
Share reorganisation	7	(7)	–	–	–	–	–	–	–
Share premium cancellation	–	(93,001)	–	76,145	–	16,856	–	–	–
Investment disposal	–	–	–	–	4,998	–	(4,998)	–	–
Dividends paid	–	–	–	–	–	(6,310)	–	–	(6,310)
Closing balance as at 31 March 2021	1,142	11,722	2	76,145	36,367	19,103	(11,627)	(188)	132,666

*In pursuance of the court order dated November 2020, the Company has cancelled the share premium account and transferred £76,145,000 to special reserve as non distributable reserve and £16,856,000 to special reserve as distributable reserve.

For the year ended 31 March 2020 (audited)	Non-distributable reserves				Distributable reserves			
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total reserves £'000
Opening balance as at 1 April 2019	563	41,139	2	16,206	11,652	(2,857)	1,062	67,767
Total comprehensive income for the year	–	–	–	(2,207)	–	(1,339)	(322)	(3,868)
Contributions by and distributions to owners								
Shares issued	395	46,114	–	–	–	–	–	46,509
Shares bought back	–	–	–	–	(1)	–	–	(1)
Share issue expenses	–	(1,767)	–	–	–	–	–	(1,767)
Investment disposal	–	–	–	630	–	(630)	–	–
Dividends paid	–	–	–	–	(2,179)	–	–	(2,179)
Closing balance as at 31 March 2020	958	85,486	2	14,629	9,472	(4,826)	740	106,461

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 2021

	Note	Year ended 31.03.21 (audited) £'000	Year ended 31.03.20 (audited) £'000
Operating activities			
Investment income received – qualifying		110	113
Deposit and similar interest received – non-qualifying		2	32
Investment Manager's fees paid		(2,291)	(1,769)
Directors' fees		(45)	(54)
Other cash payments		(678)	(392)
Net cash outflow from operating activities	20	(2,902)	(2,070)
Cash flow from investing activities			
Purchase of investments	12	(14,632)	(16,539)
Disposal of investments	12	4,543	–
Long term loans made	12	(3,850)	(8,613)
Long term loans repaid	12	23	150
Net cash outflow from investing activities		(13,916)	(25,002)
Net cash outflow before financing		(16,818)	(27,072)
Cash flow from financing activities			
Net proceeds from share issues		20,040	44,696
Share buybacks paid		–	(102)
Equity dividend paid	10	(7,225)	(2,179)
Net cash inflow from financing		12,815	42,415
(Decrease)/ increase in cash and cash equivalents		(4,003)	15,343
Cash and cash equivalents at the beginning of the period		16,423	1,080
Cash and cash equivalents at the end of the period	21	12,420	16,423

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

Notes to the Financial Statements

1. Company information

The Company is a Public Limited Company incorporated in England and Wales, with number 08307631. 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 October 2019. 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

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. They have also reviewed the budgets and forecasts, which have been subject to liquidity stress tests performed by the Investment Manager, and consider that the Company has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Therefore, the Company continues to adopt the going concern basis in preparing these Financial Statements.

4. Significant judgements and estimates

The preparation of the Financial Statements may require the Board to make judgements 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 ("IPEV") Guidelines December 2018, 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 the Investment Manager's Review.

No judgements 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.

Investments held by the Company have been valued in accordance with the IPEV Guidelines December 2018. The portfolio valuations are prepared by the Investment Manager and subsequently reviewed and approved by the Board.

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

When using the cost or price of recent investment in the valuations, the Company looks to 're-calibrate' this price at each valuation point by reviewing progress within the investment, comparing against the initial investment thesis, assessing if there are any significant events or milestones that would indicate the value of the investment has changed and considering whether a market-based methodology (i.e. using multiples from comparable public companies) or a discounted cashflow forecast would be more appropriate.

Notes to the Financial Statements continued

5. Accounting policies (continued)

The main inputs into the calibration exercise, and for the valuation models using multiples, are revenue, EBITDA and P/E multiples (based on the most recent revenue, EBITDA or earnings achieved and equivalent corresponding revenue, EBITDA or earnings multiples of comparable companies), quality of earnings assessments and comparability difference adjustments. Revenue multiples are often used, rather than EBITDA or earnings, due to the nature of the Company's investments, being in growth and technology companies which are not normally expected to achieve profitability or scale for a number of years. Where an investment has achieved scale and profitability, the Company would normally then expect to switch to using an EBITDA or earnings multiple methodology.

In the calibration exercise and in determining the valuation for the Company's equity instruments, comparable trading multiples are used. In accordance with the Company's policy, appropriate comparable companies based on industry, size, developmental stage, revenue generation and strategy are determined and a trading multiple for each comparable company identified is then calculated. The multiple is calculated by dividing the enterprise value of the comparable group by its revenue, EBITDA or earnings. The trading multiple is then adjusted for considerations such as illiquidity, marketability and other differences, advantages and disadvantages between the portfolio company and the comparable public companies based on company specific facts and circumstances.

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 FRS 102 Section 14.4.

b) Income

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 amortised cost, less any impairment.

f) Creditors

Short and long-term creditors are measured at amortised cost.

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 Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

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. The Board is recommending final dividends for the year ended 31 March 2021 of 3 pence per B Ordinary share.

On 11 May 2021, the Board declared a 4 pence per B Ordinary share special dividend which was paid on 21 June 2021. The Board is recommending a final dividend for the year ended 31 March 2021 of 3 pence per B Ordinary share.

j) Cash and cash equivalents

Cash comprises cash and demand deposits. Cash equivalents, which include bank overdrafts, are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments.

6. Income

	2021 £'000	2020 £'000
Interest receivable - revenue		
- from bank deposits	2	33
- from loan stock	981	1,365
	983	1,398

7. Investment Manager's fees

	2021 £'000	2020 £'000
Pembroke Investment Managers LLP	2,305	1,785

Pembroke Investment Managers LLP has been appointed as the Company's Investment Manager. 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. The annual management fee is 2% of net assets calculated quarterly.

Details of the appointment may be found in the Strategic Report on page 36.

No performance fee is due in respect of the year ended 31 March 2021 (2020: £nil).

8. Other expenses

Other expenses include:	2021 £'000	2020 £'000
Directors' remuneration	68	50
Company secretarial and administration fees	114	102
Auditor's remuneration – audit of Statutory Financial Statements	49	41
Printing and stationery	65	27
Registrar fees	19	29
Insurance*	34	216
Trail commission	255	-
Other professional fees	97	37
London Stock Exchange fees	22	8
Employers NI on Directors' remuneration	6	4
Other costs	59	44
Irrecoverable VAT	77	52

The Company has no employees other than the Directors.

*2020 includes insurance recharged for the period from 1 April 2013 to 31 March 2018.
Information relating to Directors' remuneration can be found in the audited section of the Directors' Remuneration Report on page 41.

Notes to the Financial Statements continued

9. Tax

a) Analysis of tax charge	2021 £'000	2020 £'000
Current year charge:		
Revenue charge	–	–
Credited to capital return	–	–
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	2021 £'000	2020 £'000
Profit/(loss) on ordinary activities before taxation	14,009	(3,868)
Effect of:		
Corporation tax at 19% (2019: 19%)	2,662	(735)
Non-taxable gains on investments	(3,269)	419
Non-taxable dividends	–	–
Deferred tax not recognised	607	316
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 £1,145,000 (2020: £537,000). This is calculated using a corporation tax rate of 19% (2020: 19%) 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:	2021 £'000	2020 £'000
Final dividend on Ordinary and B Ordinary shares for the year ended 31 March 2019 of 3 pence per share	–	2,179
Final dividend on B Ordinary shares for the year ended 31 March 2020 of 3 pence per share	3,030	–
Special dividend on B Ordinary shares for the year ended 31 March 2020 of 4 pence per share	4,195	–
	7,225	2,179

Dividends paid or payable in respect of the financial year:	2021 £'000	2020 £'000
Final dividend on Ordinary and B Ordinary shares for the year ended 31 March 2021 of 3 pence per share – payable on 22 November 2021* (2020: 3 pence)	3,839	2,984
Special dividend on B Ordinary shares for the year ended 31 March 2020 of 4 pence per share	4,195	–
	8,034	2,984

*Based on shares in issue at 30 April 2021.

All dividends are paid from the distributable special reserve.

11. Return per share – unaudited

	2021			2020		
	Revenue	Capital	Total	Revenue	Capital	Total
Earnings per B Ordinary share (pence)	(0.9)	14.6	13.7	(0.4)	0.2	(0.2)

Basic revenue return per B Ordinary share is based on the net loss after taxation of £929,560 (2020: £234,589 loss) and on 102,087,336 (2020: 56,945,584) 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 gain after taxation of £14,936,712 (2020: £94,333) and on 102,087,336 (2020: 56,945,584) B 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 £'000	Loan stock £'000	Total £'000
Opening valuation:			
Cost at 31 March 2020	53,620	16,536	70,156
Unrealised gains at 31 March 2020	16,696	–	16,696
Unrealised losses on loan notes at 31 March 2020	–	(2,050)	(2,050)
Interest rolled up in fixed income investments	–	3,295	3,295
Valuation at 31 March 2020	70,316	17,781	88,097
Movements in the year:			
Purchases at cost	14,632	3,850	18,482
Disposal proceeds	(4,543)	–	(4,543)
Loans repaid	–	(23)	(23)
Loans converted to equity	7,420	(7,420)	–
Unrealised gains	16,728	5,011	21,739
Realised losses on disposals	(2,971)	(2,027)	(4,998)
Interest rolled up in fixed income investments	–	325	325
Total movements in year	31,266	(284)	30,982
Closing valuation:			
Cost at 31 March 2021	68,158	10,916	79,074
Unrealised gains at 31 March 2021	33,424	–	33,424
Unrealised losses on loan notes at 31 March 2021	–	2,961	2,961
Interest rolled up in fixed income investments	–	3,620	3,620
Valuation at 31 March 2021	101,582	17,497	119,079

As at 31 March 2021, the Company had arrangements in place to dispose of Stylindex.

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 31 March 2020 £'000	Additions in the year £'000	Increase/ (decrease) in valuation £'000	Carrying value at 31 March 2021 £'000
Lyma Life	2,759	451	6,483	9,693
Sourced Market	4,494	1,100	(3,244)	2,350
Heist Studios	1,883	500	3,284	5,667
Boat International Media	4,953	0	2,933	7,886

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 IPEV 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 17 to 33.

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 %
Sourced Market (SP Market Limited)	46.1
Bella Freud (Bella Freud Limited)	42.7
Plenish (Plenish Cleanse Limited)	37.7
Troubadour Goods (Troubadour Goods Limited)	37.2
Kinteract (Make It Plain Limited)	31.7
Hackney Gelato (Hackney Gelato Limited)	27.3
Heist (Carousel Ventures Limited)	27.2
Kat Maconie (Kat Maconie Limited)	26.0
PlayerLayer (Playerlayer Limited)	25.3
Chucs Restaurants (Chucs Restaurants Limited)	25.0
Alexa Chung (Alpha Charlie Limited)	24.5
Stitch & Story (Stitch & Story Limited)	23.6
Floom (Floom Limited)	23.4
United Fitness Brands (United Fitness Brands Limited)	22.3
Boat International Media (Boat International Limited)	21.6
Smartify (Smartify Holdings Limited)	20.0
LYMA (Lyma Life Limited)	19.8
Popsa (Popsa Holdings Limited)	18.9

Investment	equity holding %
Dropless (Dropless Limited)	18.4
Eave (Eartex Limited)	16.7
Roto VR (Roto VR Limited)	13.9
ToucanTech (Toucantech Limited)	13.3
N is for Nursery (N is for Nursery Limited)	12.2
KX Gym (KX Group Holding Limited)	11.8
ME + EM (ME and EM Limited)	11.7
KX U (KX U Limited)	10.3
Credentially (Appraise Me Limited)	9.8
Secret Food Tours (Essor Limited)	9.1
Stylindex (Stylindex Limited)	6.4
Unbolted (Open Access Finance Ltd)	5.7
Thriva (Thriva Limited)	5.2
HotelMap (HotelMap.com Limited)	5.2
Stillking Films UK (2020 Group Limited)	5.0
Beryl (SMIDSY Ltd)	4.1
Rubies in the Rubble (Rubies in the Rubble Limited)	3.4
Wishi (Wishi Fashion Limited)	3.2

Details of holdings may be found in the Investment Manager's Review and Investment Portfolio on pages 12 to 15.

14. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Prepayments and accrued income	56	58
Other debtors	143	742
Short term loan	1,462	1,462
	1,661	2,262

15. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Sundry creditors and accruals	245	321

16. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Non-current creditors	249	–

Notes to the Financial Statements continued

17. Called up share capital

	Total shares '000
Allotted, called-up and fully paid at 1 April 2020:	95,808
Issued during the year	18,429
At 31 March 2021	114,237

As at 31 March 2021, there were 114,237,168 (2020: 95,808,126) shares allotted, called up and fully paid. During the year, the Company issued 18,429,042 B Ordinary shares under an offer for subscription and the Dividend Reinvestment Scheme ("DIS") as detailed below:

Allotted, called up and fully paid:	No of B Ordinary shares ('000)	Nominal value £'000	Consideration received £'000
5 April 2020	2,900	29	3,375
9 April 2020	759	8	858
26 August 2020*	719	7	–
8 October 2020	885	9	995
22 October 2020	337	3	369
4 November 2020	663	6	746
12 November 2020 (DIS)	340	3	374
3 December 2020	988	10	1,107
18 January 2021	1,565	16	1,768
15 February 2021	1,407	14	1,578
2 March 2021 (DIS)	495	5	541
2 March 2021	2,314	23	2,607
15 March 2021	5,057	51	5,708
	18,429	184	20,026

*Under the conversion, the Company's 18,099,948 Ordinary shares were converted into 18,818,759 B Ordinary shares.

No shares were bought back during the year ended 31 March 2021 although the Company bought back for cancellation 9,449,365 B Ordinary shares in April 2021. The figures in the Statement of Changes in Equity and Cash Flow Statement relate to a transaction in the prior year that settled in this period.

18. 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.

The capital redemption reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the Company's own shares.

Special reserve includes amounts transferred from the share premium account on 26 March 2014 and 22 December 2020. As at 31 March 2021, £19,103,649 is distributable and is mainly used for payment of dividends, £76,145,167 is non-distributable.

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 2021 there were net realised losses of £11,627,363 (2020: £4,825,619 losses) and £36,366,663 of unrealised, non-distributable, gains (2020: £14,628,207).

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 2021 is £7,287,319 (2020: £5,387,322).

19. Net asset value per share – unaudited

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

	2021 Net asset values attributable		2020 Net asset values attributable	
	Net assets (£'000)	Net assets per share (p)	Net assets (£'000)	Net assets per share (p)
B Ordinary shares	132,666	116.1	85,706	110.3

Net asset value per B Ordinary share is based on net assets at the year end and on 114,237,168 (2020: 77,708,178) B Ordinary shares, being the number of B Ordinary shares in issue at the year end.

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

	2021 £'000	2020 £'000
Profit/(loss) before taxation for the year	14,009	(3,868)
Net (gain)/loss on investments	(16,741)	2,207
Increase in debtors (excluding share issue proceeds and short-term loans)	(18)	(3)
Increase in interest rolled up in fixed income investments	(326)	(589)
Increase in creditors and accruals (excluding share issue expenses, short term loans and fixed asset investment balances)	174	183
Net cash outflow from operating activities	(2,902)	(2,027)

21. 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 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 Manager's Review on pages 12 and 13.

The Company held the following categories of financial instruments at 31 March 2021:

	2021		2020	
	Cost £'000	Fair value £'000	Cost £'000	Fair value £'000
Assets at fair value through profit or loss:				
Equity investments	68,158	101,582	53,620	70,316
Loan stock	10,917	17,497	16,536	17,781
Assets measured at amortised cost:				
Cash at bank	12,420	12,420	16,423	16,423
Other debtors	200	200	800	800
Short term loans	1,462	1,462	1,462	1,462
Liabilities measured at amortised cost:				
Creditors	(486)	(494)	(320)	(320)
	92,671	132,666	88,521	106,462

Notes to the Financial Statements continued

21. 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 90% (2020: 83%) 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 Manager. The selection of credit institution at which to hold cash balances is made by the Investment Manager 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 £27,971,703 (2020: £37,786,346).

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 Manager. 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 30% 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 £35,723,646 and 31.3 pence (2020: £26,429,138 and 27.6 pence) respectively.

A 30% 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 2021, the Company's financial assets by value, excluding short-term debtors and creditors which are not exposed to interest rate risk, are shown opposite:

21. Financial instruments (continued)

Financial assets	£'000	%	Interest rate	Weighted average interest rate %	Fixed term years
Venture capital investments					
Ordinary shares	103,601	79.9	n/a	n/a	n/a
Loan stock interest	65	–	Fixed	9.0	n/a
Loan stock interest	50	–	Fixed	10.0	n/a
Loan stock interest	19	–	Fixed	8.0	n/a
Loan stock interest	1	–	Fixed	8.0	n/a
Loan stock interest	2	–	Fixed	8.0	n/a
Loan stock interest	3	–	Fixed	8.0	n/a
Loan stock	290	0.2	Fixed	9.0	5.0
Loan stock	500	0.4	Fixed	8.0	5.0
Loan stock	26	–	Fixed	8.0	5.0
Loan stock	3,598	2.7	Fixed	12.0	5.0
Loan stock	143	0.1	Fixed	12.0	5.0
Loan stock interest	4	–	Fixed	9.0	n/a
Loan stock	508	0.4	Fixed	8.0	5.0
Loan stock	250	0.2	Fixed	8.0	5.0
Loan stock	500	0.4	Fixed	10.0	5.0
Loan stock	500	0.4	Fixed	8.0	5.0
Loan stock	500	0.4	Fixed	8.0	5.0
Loan stock	150	0.1	Fixed	8.0	5.0
Loan stock	200	0.2	Fixed	8.0	5.0
Loan stock	250	0.2	Fixed	8.0	5.0
Loan stock	238	0.2	Fixed	10.0	5.0
Loan stock	136	0.1	Fixed	12.0	5.0
Loan stock	149	0.1	Fixed	12.0	5.0
Loan stock	161	0.1	Fixed	10.0	5.0
Loan stock	369	0.3	Fixed	10.0	5.0
Loan stock	117	0.1	Fixed	10.0	5.0
Loan stock	162	0.1	Fixed	8.0	5.0
Loan stock	159	0.1	Fixed	8.0	5.0
Loan stock	300	0.2	Fixed	10.0	5.0
Loan stock	255	0.2	Fixed	10.0	5.0
Loan stock interest	42	–	Floating	8.0	n/a
Loan stock interest	20	–	Floating	8.0	n/a
Loan stock	109	0.1	Fixed	12.0	5.0
Loan stock interest	3	–	Floating	11.5	n/a
Loan stock interest	1	–	Floating	11.5	n/a
Loan stock	163	0.1	Fixed	8.0	5.0
Loan stock interest	73	0.1	Fixed	8.0	n/a
Loan stock interest	96	0.1	Fixed	12.0	n/a
Loan stock	502	0.4	Fixed	8.0	5.0
Loan stock interest	66	0.1	Fixed	7.0	n/a
Loan stock interest	93	0.1	Fixed	10.0	n/a
Loan stock interest	55	–	Fixed	8.0	n/a
Loan stock interest	10	–	Fixed	8.0	n/a
Loan stock	200	0.2	Fixed	8.0	5.0
Loan stock	2,486	1.9	Fixed	12.0	5.0
Loan stock	513	0.4	Fixed	8.0	5.0
Loan stock interest	36	–	Fixed	8.0	n/a
Bank deposits	12,420	9.4	Floating	0.15	n/a
	130,094	100.0			

Notes to the Financial Statements continued

21. Financial instruments (continued)

It is estimated that, if the floating interest rate fell to 0%, pre-tax profit for the year would fall by 0.14% (2020: 1.61%) 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.

22. 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 80% 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.

23. Geographical analysis

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

24. Related parties

The Company retains Pembroke Investment Managers LLP ("PIM") as its Investment Manager.

David Till, a non-executive Director of the Company, is a member of PIM. During the year ended 31 March 2021, £2,305,576 was payable to PIM for Investment Manager services of which £43,917 was owed to PIM at the year end (2020: £1,785,562, of which £29,605 was owed at the year end).

The remuneration and shareholdings of the Directors, who are key management personnel of the Company, is disclosed in the Directors' Remuneration Report on page 40.

25. Events after the reporting period

Non-adjusting events

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

- The Company has made investments of £389,404 in Alpha Charlie Limited, £200,000 in United Fitness Brands Ltd, £481,691 in Rubies in the Rubble Ltd, £100,000 in SP Market Limited, £100,000 in Make It Plain Ltd, £1,499,999 in Stitch & Story Ltd, £1,750,084 in One Plan Limited and £999,999 in Coat Trading Ltd.
- In May 2021 Pembroke VCT disposed of 100% of its holding in Plenish Cleanse Limited for a sum of £8.8 million.
- 21,755,737 shares were allotted under the share offer on 3 April 2021 raising £24,818,751.
- 1,412,708 shares were allotted under the share offer on 13 April 2021 raising £1,572,000.

The Company purchased 9,449,365 B Ordinary shares for cancellation on 20 April 2021; the price paid was 103.74 pence per B Ordinary share. Following the cancellation of these shares, the Company's issued share capital was 127,956,248.

The Board has resolved to pay a special dividend of 4.0 pence per B Ordinary share which was paid on 21 June 2021.

The Board is recommending a final dividend for the year ended 31 March 2021 of 3.0 pence per share payable on 22 November 2021.

Corporate Information

Directors (all non-executive)

Independent

Jonathan Simon Djanogly (Chairman)

Laurence Charles Neil Blackall

Louise Wolfson

Mark Stokes

Non-independent

David John Till

All of the registered office and principal place of business

3 Cadogan Gate
London
SW1X 0AS

www.pembrokevct.com

Investment Manager

Pembroke Investment Managers LLP
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SW1X 0AS

Company Secretary

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Edinburgh
EH2 4LH

Independent Auditor

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London
W1U 7EU

Registrar

The City Partnership (UK) Limited
c/o Share Registrars Limited
The Courtyard
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Bankers

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VCT Status Adviser

Philip Hare & Associates LLP
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Reporting calendar

for the year ending 31 March 2022

Results announced:

Interim – November 2021

Annual – June 2022

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Pembroke VCT plc

3 Cadogan Gate, London SW1X 0AS

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