EDGE
PERFORMANCE VCT

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2017

Edge Performance VCT Public Limited Company
Incorporated in England and Wales
with registration number 5558025

Contents

Financial Summary

2017

Year ended 28 February	2017 H	2017 I	2017 Total
Net assets £'000	6,530	35,537	42,067
Net asset value per Share, p	62.05	48.61[3]	n/a
Net asset value total return per Share, p*	76.05	76.61[3]	n/a
Investment income £'000	39	806	845
Return before tax £'000			
- Revenue	(80)	171	91
- Capital	141	(4,559)	(4,418)
- Total	61	(4,388)	(4,327)
Return per Share, p**			
- Revenue	(0.62)	0.19	n/a
- Capital	1.37	(6.21)	n/a
- Total	0.75	(6.03)	n/a
Dividend per Share paid/recommended in respect of the year, p			
- Revenue	-	-	n/a
- Capital	3.5	7.0[1][2]	n/a
- Total	3.5	7.0	n/a
Share price at end of year, p	48.5	30.5	n/a

* i.e. net asset value per share plus total dividends

** i.e. return for the year over the weighted average number of shares

[1] reflects the interim dividend of 7.0p per I Share paid on 12 August 2016 to holders of I Shares only, prior to the share conversion as detailed in note 15 on page 51.

[2] prior to the share conversion as detailed in note 15 on page 51, interim dividends of 7.0p were declared on 18 August 2016, payable to G & I shareholders as shown in the Company's registrar of members at the close of business on 26 August 2016. These have not been reflected in the schedule above.

[3] these figures do not take into consideration the interim dividends declared as noted above [2] and paid in April 2017. Net asset value total return per share reflects the net asset value per share plus dividends paid to holders of the I Shares prior to the share conversions.

2016

Year ended 29 February	2016 H	2016 I	2016 Total
Net assets £'000	6,821	41,046	47,867
Net asset value per Share, p	64.82	56.15[1]	n/a
Net asset value total return per Share, p*	75.32	77.15[1]	n/a
Investment income £'000	67	1,019	1,086
Return before tax £'000			
- Revenue	(73)	420	347
- Capital	(980)	(6,069)	(7,049)
- Total	(1,053)	(5,649)	(6,702)
Return per Share, p**			
- Revenue	(0.55)	0.46[1]	n/a
- Capital	(9.29)	(8.22)[1]	n/a
- Total	(9.84)	(7.76)	n/a
Dividend per Share paid/recommended in respect of the year, p			
- Revenue	-	-	n/a
- Capital	-	-	n/a
- Total	-	-	n/a
Share price at end of year, p	77.5	66.5	

* i.e. net asset value per share plus total dividends

** i.e. return for the year over the weighted average number of shares

[1] Presentation of the I Share class as at 29 February 2016 to reflect the share conversion as detailed in note 15 on page 51. Prior year return per share and net asset value per share are detailed in notes 10 and 16 respectively. Net asset value total return per share reflects the net asset value per share plus dividends paid to holders of the I Shares prior to the share conversions.

Investment Policy

Investment Policy

Edge Performance VCT was set up to offer the opportunity to invest in the entertainment and media industry in a broad range of companies (thereby diversifying risk), and seeks to allow investors to take advantage of VCT tax reliefs while combining the features described below.

The full text of the Company's investment policy can be found at http://www.edge.uk.com/Shareholder-Links.

H Share Fund

With the "evergreen" H Share Fund, Edge Performance VCT is seeking to achieve an annual yield for investors, growth, risk reduction and liquidity.

The Company is targeting building to a consistent tax-free annual dividend yield for investors. To align the interests of the Investment Manager, Edge Investments, with this objective, the Investment Manager's performance fee is payable only if cumulative dividends are at least 7p per H Share per year on average and the net asset value per H Share grows.

The Company will invest at least 70% of the H Share Fund in VCT-qualifying investments which the Company believes are capable of generating an appropriate level of growth or return, and using risk reduction strategies wherever available.

The Company intends that the majority of any gain made from the realisation of VCT-qualifying investments will be distributed to H shareholders, to maintain and improve the H shareholders' yield, with the remaining proceeds of realisation being reinvested in further VCT-qualifying investments, in order to drive compound growth for the H shareholders.

I Share Fund

All of Edge Performance VCT's "planned exit" share classes (namely C Shares, D Shares, E Shares, F Shares, G Shares and I Shares) were consolidated into a single enlarged I Share Fund in September 2016.

Through a blend of fixed income securities, cash and near-cash, VCT-qualifying investments with a high level of underpinning and other VCT investments intended to achieve growth, the Company is looking to provide shareholders with significant capital preservation coupled with the potential for upside from the growth investments.

Most of the Company's higher-underpinned VCT-qualifying investments have now been realised; the last of them are expected to be realised in late 2017 or early 2018.

The Company is therefore now seeking to maximise returns for its I Shareholders within a reasonable timescale having regard to the market positions of its remaining portfolio companies, balanced with some downside risk protection afforded by that portfolio.

Asset Allocation

VCT-qualifying investments will normally be made up of ordinary shares or other eligible shares (as defined under VCT rules) in the investee company, together with - wherever practicable - loan stock or other loan finance and/or preference shares, which should provide additional capital protection.

In instances where more than one of the Company's Share Funds invest in a given portfolio business, the Company will, where practicable, arrange or rearrange the structure of the investment, so that each of the participating Share Funds holds, pro-rata to the amount invested by it, the same investment instruments. This approach is intended to ensure that, where the value of a portfolio business changes, that change is reflected, proportionately, to the same extent across all of the participating Share Funds, where appropriate.

Borrowings

Although Edge Performance VCT's articles of association allow the Company to incur borrowings to fund its operations, it currently has no intention to do so.

VCT Status and Maximum Exposures

Edge Performance VCT must be approved by HM Revenue and Customs in order to retain its venture capital trust status. The conditions which must be satisfied to retain such status include the restriction on the maximum exposure of the Company that not more than 15% by 'VCT value' of the Company's total investments can be held in a single company or group (other than a VCT). The Company will not commit more than 15% to a single company or group even in the event of an increase in the limit imposed by VCT rules.

Chairman's Statement

The year ended 28 February 2017 has been a period of consolidation for some of Edge Performance VCT's investee businesses. In the venture portfolio, the valuation of the investments in deltaDNA and Intent HQ is unchanged. The valuation of Mirriad increased by £506,000 following a significant external fundraising exercise. The Board and the Investment Manager have prudently recommended a 10% reduction in the valuation of the Company's holding in Coolabi, although the Board and the Investment Manager remain confident in the medium term prospects for this investment.

Investment activity

During the year under review, Edge Performance VCT invested a total of £144,000 from the H Share Fund in a new portfolio company, Newsflare. This investment was made pursuant to the co-investment arrangement which the Company has with Edge Creative Enterprise Fund.

After the end of the year under review, the Company invested £500,000 from the H Share Fund in a further new portfolio company, AudioBoom Group plc.

The I Share Fund is fully invested. As at the date of this report, the Investment Manager is pursuing a number of investment opportunities for the H Share Fund, which still has £1.7 million available for investment in VCT-qualifying investments in line with the Company's investment policy.

The Company now holds investments in businesses spanning aspects of the creative industries sector such as children's entertainment, live event promotion, digital marketing, book publishing, mobile application and games monetisation tools and analytics and the distribution of user-generated video content.

Details of the Company's largest portfolio holdings are contained in the Investment Manager's review on pages 9 to 11.

Coolabi Group continues to develop a strong intellectual property portfolio focused on the children's and family entertainment sector. The company monetises this through various media channels (such as video, books and games) and notably from a programme under which Coolabi's brands are licensed for the manufacture and sale by third parties across the world of toys and other merchandise. While its financial performance over the year was behind budget, Coolabi continues to be EBITDA profitable and the Board and the Investment Manager remain positive about the opportunities for growth over the next few years. In the short-term, however, the Board and the Investment Manager have taken the prudent step of reducing the valuation of the Company's investment in Coolabi by £3m, to £27.3m.

The valuation of Edge Performance VCT's investment in Intent HQ Holdings remained unchanged at the year end. The long-expected success in signing deals with major customers has begun to come through, but the company remains reliant on its main investor to fund its operating activities whilst revenues grow.

The Investment Manager is cautiously optimistic about the outlook for Mirriad which successfully completed an £11.1m fundraising exercise during the year. The pricing of this fundraising caused the Company to recognise a £506,000 uplift in the value of its investment, to £1,026,000.

deltaDNA received a further £865,000 of investment from Edge Performance VCT's syndicate partners in the business. While this valuation was at a slight premium to the Company's holding valuation, continued challenging trading conditions mean the Board and the Investment Manager have decided to hold the value of the investment at its £1m cost.

Fundraising

The Company undertook no fundraising activities in the year under review.

Dividends

In August 2016, the Company paid interim dividends of 3.5p per H Share and 7p per I Share.

Also in August 2016, the Company declared further interim dividends of 7p per G Share and 7p per I Share, which were paid in April 2017, after the end of the year under review. The record date for those dividends was prior to the completion of the capital simplification referred to below, meaning that the dividends were paid to holders of G Shares and I Shares as they were before the simplification.

These dividends bring the total distributions made by Edge Performance VCT to shareholders since its inception to more than £56 million.

Capital simplification

In September 2016, Edge Performance VCT completed an exercise to simplify its capital. As a consequence, the pre-existing C, D, E, F and G Shares were converted into I Shares. This enlarged I Share class remains a planned exit share class. The H Share class remains unaffected by these changes.

Further details of the capital simplification are given in note 15 on page 51.

Outlook

The Investment Manager is confident that the quality and volume of its dealflow will enable the remaining available money in the H Share Fund to be invested in interesting businesses within a reasonable amount of time.

In relation to the existing investee companies in the portfolio, the emphasis continues to be on working with those businesses towards achieving growth and value whilst considering strategies and opportunities for exit.

I thank you for your continued support of the Company.

Sir Robin Miller
Chairman

8 June 2017

The Directors and Investment Manager

Directors

The collective experience of the Directors and the Investment Manager's team - which covers VCT fund management, venture capital, investment banking, live event promotion, corporate finance, private equity, artist management, law, accountancy, tax and deal structuring skills - is employed in the selection and management of the Company's investments.

As at the date of this report, the Company has the following Directors, all non-executive, who are responsible for overseeing investment policy and will have overall responsibility for the Company's activities. The Directors are, with the exception of David Glick, independent of the Investment Manager.

Sir Robin Miller
(Chairman of Edge Performance VCT)

Sir Robin was formerly Chief Executive (1985-98 and 2001-03) and Chairman (1998-2001) of Emap plc, a leading international media group in consumer and trade publishing, commercial radio, music TV channels and events.

In 2003, Sir Robin became senior media advisor to HgCapital and was involved in the successful disposal of Boosey & Hawkes and Clarion Events Limited. He was previously a non-executive director of Channel Four Television (1999-2006), and was Chairman of their New Business Board. He was non-executive Chairman of the HMV Group (2004-2005), senior non-executive director at Mecom Group plc (2005-2009), Chairman of Entertainment Rights plc (2008-2009), and Setanta Sports Holdings Limited in 2009.

Sir Robin is currently also non-executive Chairman of Brave Bison Group plc and a non-executive director of Premier Sports Holdings, Gemini Network Media, Crash Media Group, Digital Group Limited, Gruppo Media Limited, Bikesportnews.com and a Trustee of the Golf Foundation.

Kevin Falconer

Kevin spent the early part of his professional life as a private banker specialising in the entertainment and media sector. Until 2005, he was the Head of HSBC Private Bank's global media practice. Since leaving that industry, he has devoted his time to providing strategic advice to a small group of highly successful media entrepreneurs, including Chris Blackwell (founder of Island Records) and Pete Waterman. He is currently a non-executive director of Blackwell Fuller Holdings LLC, a joint venture between Chris Blackwell and Simon Fuller, Audiotube Limited, a music focused technology company looking to IPO in 2017, and Hello TV plc, a new TV/digital channel being established to expand the reach of the successful Hello! magazine brand, which is also planning to IPO this year.

David Glick

David is an experienced venture capital investor in the creative industries sector who has been involved in investment in, mentoring of, and the sale and purchase of, multimillion pound entertainment and media assets, with a particular emphasis on music, television, film, sport, theatre and fashion, and enabling technologies.

A former solicitor, David co-founded Eatons, a leading music and entertainment law firm, in 1990; in 2000, Eatons merged with law firm Mishcon de Reya where he became head of the entertainment and media group.

David has also been both an executive and a non-executive director of Entertainment Rights (now part of DreamWorks), the UK media business which was quoted on the Official List and which, during the period of his involvement, grew from a start-up to a market capitalisation of approximately £213 million, and subsequently to £380 million.

In 2004, David formed the Edge group of companies as a specialist investment and advisory business for the entertainment and media sector. At Edge, he brokered and advised clients on the sale and purchase of a range of entertainment and media related assets and businesses, before selling the advisory business in 2011 in order to concentrate on venture capital investing.

David is the founder of Edge Performance VCT.

Investment Manager

Lord Flight

Lord Flight has worked in the financial services industry for over 40 years and co-founded Guinness Flight Global Asset Management in 1986. In 1998, upon Guinness Flight's acquisition by Investec, he became Joint Chairman of Investec Asset Management Limited. He was the MP for Arundel and South Downs from 1997 to 2005; was Shadow Chief Secretary to the Treasury between 2000 and 2004 and a member of the Shadow Cabinet. He was appointed to the House of Lords in January 2011. He is Chairman of the EIS Association, of Investment Trust Aurora and of Flight & Partners; a director of Metro Bank plc, of Marechale Capital Limited, of Investec Asset Management Limited and of a number of other companies in the financial services sector. He is also a Commissioner of the Guernsey Financial Services Commission and was a member of the House of Lords EU Finance and Economics Committee from 2010 to 2015.

The members of the Investment Manager's team, who, other than Ken Okoroafor and Joanna Smith, are all members of its investment committee, are listed below:

Charles Miller Smith
(Chairman of Edge Investments and Chairman of the investment committee)

Charles is a senior business figure who has worked across a range of blue-chip businesses, in the UK and internationally. He was Finance Director of Unilever, CEO and then Chairman of ICI, Deputy Chairman and subsequently Chairman of Scottish Power, director of HSBC Holdings plc and an international adviser at Goldman Sachs International and senior adviser to Warburg Pincus. He is currently an independent director of Firstsource Solutions Limited, Chairman of Firstsource Solutions UK and Chairman of Pollen + Grace Limited.

Gordon Power
(Director of Edge Investments and investment committee member)

Gordon has over 30 years of venture capital and private equity experience and is a private equity investor in his own right. He is a founding partner in a joint family office investment business that is focussed on creating a group of sustainable technology investment managers and who currently manage US $1.2bn. Prior to this, he founded and was CEO of the private equity business, ProVen Private Equity (now renamed Beringea) which specialised in media and intellectual property rights investments and managed US $370m. From 1984 he has achieved an overall return in excess of 29% on 240 realised (i.e. sale, flotation or administration/liquidation) investments and unrealised investments.

Harvey Goldsmith CBE
(Director of Edge Investments and investment committee member)

Harvey is one of the UK's best known music industry impresarios, having since the 1960s produced and promoted shows with leading artists such as The Rolling Stones, The Who, Bruce Springsteen, The Eagles, Led Zeppelin and Sting. He formed Artiste Management Productions in 1973 to produce and manage music artists, and Harvey Goldsmith Entertainments Limited in 1976, which became the UK's leading promoter of concerts and events. He became involved in the Prince's Trust in 1982, producing the first Prince's Trust Rock Gala, and joining the Trust's board. In 1985, he produced the Live Aid concert with Sir Bob Geldof, raising £140 million for famine relief in Africa and the more recent Live 8 concert in 2005. He has also produced major operatic productions and was the worldwide tour producer for Pavarotti. Harvey was the instigator and producer of the Led Zeppelin reunion concert at the O2 Arena in London in December 2007. From 2008 until 2012, he managed Grammy award-winning guitarist, Jeff Beck. Harvey is Chairman of The British Music Experience, which has recently re-located to Liverpool. Harvey is the co-producer of the legendary film composer Hans Zimmer's 2017 world tour.

David Glick
(CEO of Edge Investments and investment committee member)

See above.

Ken Okoroafor ACA
(CFO of Edge Investments)

Ken began his career at Mazars where he trained as a chartered accountant, working on clients in the media and entertainment, hospitality and financial services industries. In 2009, he joined Octopus Investments at its high growth phase as a Management Accountant, and subsequently worked at Global Prime Partners as Head of Finance, helping to implement strategy and grow the business at a compounded annual growth rate of 29% a year over 5 years. Prior to joining Edge, Ken worked as the UK Finance Director for SEI Investments, an asset manager and innovator in the wealth management industry.

Ken holds a first-class honours degree in Economics and Accountancy from City, University of London and an MBA from the University of Cambridge. He joined the Investment Manager in 2017.

Steven Carle
(Investment committee member)

Steve is a 26 year veteran of the UK private equity industry, with a focus on investing in small and medium enterprises. After completing a law degree at Edinburgh University, in 1991 Steve joined 3i plc where he worked for 8 years in their Edinburgh and Cambridge teams. In 1999, he moved to LDC (the private equity arm of Lloyds Banking Group) where he was a senior director during the time when LDC grew to become the leading UK mid-market private equity investor. In the course of his career with 3i and LDC, Steve completed more than 35 mid-market investments, acquisitions and disposals, investing more than £150m in deals with aggregate enterprise values in excess of £500m. Steve left LDC at the end of 2010, and after four years spent investing in and advising growing companies on a personal basis, he joined the Investment Manager in 2015.

Joanna Smith ACA

Joanna began her career at PriceWaterhouseCoopers where she trained as an accountant, working on clients in the entertainment and media sector. In 2012, she joined Channel 4 as an analyst where she worked on their existing venture capital portfolio and subsequently helped launch the £20 million C4 Indie Growth Fund. In 2014, she became Corporate Development Manager of the Indie Growth Fund and Film4.

Joanna holds a degree from the University of Oxford. She joined the Investment Manager in early 2016.

Investment Manager's Review

In relation to the Company's "planned exit" I Share class, the Investment Manager has employed a "blended" investment strategy, under which the share class's VCT-qualifying portfolio entails a mix of:

- investments in businesses with a high level of underpinning of the amount invested by the Company; and
- investments in businesses which have the potential for significant growth.

With this strategy, and also with the retention in non-qualifying investments of up to 30% of the net proceeds of each offer for subscription for shares, the Investment Manager looks to:

- facilitate the return to shareholders of as much of their net cost of investment as possible shortly after the end of the five year minimum holding period under VCT rules, through the timely realisation of those higher-underpinned investments; and
- work closely with the other portfolio companies, with the aim of delivering return for shareholders through realisation of the investment once appropriate value can be achieved.

Dividends

An important component of this overall strategy is the payment of dividends, and the timely distribution to shareholders of the proceeds of realisation of the Company's VCT-qualifying investments. The Company has distributed more than £56 million in total to shareholders since it began in 2006.

Portfolio investments realised during the year

No portfolio investments were realised during the year under review, although the Investment Manager worked towards the realisation of the remaining higher-underpinned investments which, prior to the capital simplification described in note 15 on page 51, had been held by the G Share Fund. Those realisations were completed in March 2017, generating aggregate proceeds of £5.49m, in addition to the total of £2.1m which resulted from earlier partial realisations of Edge Performance VCT's holdings in those companies.

Portfolio investments made during the year

Newsflare Limited

In November 2016, Edge Performance VCT invested £144,000 from the H Share Fund in Newsflare. Newsflare operates as a platform for monetising user-generated digital video content.

Significant VCT-qualifying investments

The Company and the Investment Manager apply internal diversification guidelines, under which no Share Fund will ordinarily invest in any single business more than 15% of the net proceeds of offers for subscription for shares in that particular class. However, distributions to shareholders and movements in portfolio valuations can give rise to the potential for the value of a given investment subsequently to exceed 15% of the relevant Share Fund's assets. These factors have contributed towards the Company's investments in Coolabi Group Limited and deltaDNA Limited, based on the valuations of those holdings as at 28 February 2017, now exceeding 15% of the net assets of certain Share Funds.

Coolabi Group Limited

Coolabi specialises in the ownership, development, creative management and exploitation of high quality children's and family intellectual property assets. Coolabi's portfolio includes TV properties such as Poppy Cat, the new productions of The Clangers and Scream Street and book properties such as Warriors, Beast Quest, Magic Animal Friends, Crown of Three and Ferals. Coolabi also owns or represents successful properties such as Bagpuss, Ivor The Engine, Purple Ronnie and Domo. Brand management is at the heart of Coolabi's strategy; establishing a property in a given medium or channel (typically books or TV) and then moving that property into other channels (such as film, digital and licensing & merchandising) and into other geographical territories.

Coolabi continues to make strong progress on a number of operational fronts, with the achievement of several key strategic deliverables. The mobile game based on the Beast Quest books launched successfully in May 2015 continues to attract players and has now been downloaded over 8.5 million times. A key focus of the business over the past 12 months has been on expanding its digital footprint, and the company is now well placed to execute on its agreed strategy in this sphere of activity.

In its TV activities, Clangers continues to be a top-rating show on CBeebies and series two is now well into production. A third series is also under consideration. A subscription video on demand deal has also been agreed with an American partner for series one. Scream Street continues to be a ratings success for CBBC and the Company is optimistic that a second series will be commissioned.

The company continues negotiations to secure a US broadcast deal for Scream Street.

The company's book business made good progress over the past 12 months, particularly in America where there is strong evidence of an emerging next generation of readers for Coolabi's Warriors series. The Chinese e-commerce giant Alibaba has also optioned the rights to make a feature film based on the Warriors series, a project which has David Heyman (producer of the Harry Potter films) attached to it. In America, Coolabi has also launched a young adult book series which opens up a new age group of readers in that market.

Nevertheless, progress has been slower than hoped in securing overseas distribution for some of its TV titles, which has a knock-on effect on its ability to sign key licensing and merchandising deals in those territories. While this slowed the business in the year to March 2017, the Investment Manager believes there is scope for significant growth in the business over the coming few years. Therefore, the Investment Manager expects the company's continuing focus to be on execution of its existing plans and considers that an exit (other than in direct response to an unsolicited approach) is unlikely in the short term. In the meantime, the Board and the Investment Manager have prudently recommended a reduction of 10% of the valuation of Edge Performance VCT's investment in Coolabi – notwithstanding that the reduction in Coolabi's profits is proportionately less than this and the sector-comparable price earnings have increased by more than 15% in the past year.

Intent HQ Holdings Limited

Intent HQ's technology seeks to provide an important missing link in online and mobile marketing and advertising – a highly predictive human profile of each visitor to a company's website. This means that Intent HQ's customers can enable one-to-one personalisation of their offers and content, and this information can be used to enhance the commercial value of the visitor through greater user engagement, more effective content marketing and higher value advertising.

In the year under review, Intent HQ secured investment of £2m from one of its existing investors. It also completed the acquisition of a company specialising in artificial intelligence which further strengthens the richness of its offering. In March 2017, after the end of the year under review, the company raised a further £570,000 from the same investor.

The Investment Manager believes that Intent HQ's prospects now appear stronger than they have been for some time. Engagement with its most important customer has deepened and – more importantly – turned into significantly enhanced revenues and cash flow. Expanding beyond this customer now becomes the key challenge, but the company can now do so with a strong reference point.

Taking into account the operational progress made by Intent HQ, but balancing this against the impact of the new money raised, the Board and the Investment Manager recommend no change to the holding value of the Edge Performance VCT's investment in Intent HQ.

deltaDNA Limited

deltaDNA's business is centred on data analytics to help games developers to improve the gaming experience of their users through real time interventions, thereby driving increased player acquisition, retention and lifetime value. The business also has a self-serve ad mediation capacity where revenues are now beginning to show signs of growth.

Notwithstanding these developments, the company remains loss-making as it develops its market proposition. As a consequence of these ongoing losses, the company closed a £865,000 fundraising during the year under review. Edge Performance VCT chose not to participate in that round. The company has had some operational success in the year, closing a deal with one of the world's largest gaming businesses to provide the analytics for its flagship game. The Investment Manager remains cautiously optimistic about the prospects for the company.

Mirriad Advertising Limited

Mirriad's proprietary technology enables advertisements, brands and products to be inserted into finished programming, including catalogue programmes, in such a way that it appears not to be advertising at all, but a part of the programme. It does this digitally, at scale, at the point of transmission rather than when the programme is made. This allows the advertising to be targeted by geography or demographic, as it can be different in each transmission and changed as often as required. The market for such "native advertising" is predicted to grow rapidly as consumers increasingly skip conventional TV, online and mobile video advertising.

The Investment Manager is encouraged by Mirriad's promising pipeline of business. The company has recently raised £11.1m, in a round led by its major investor IP Group in the UK, at a £26.75m pre-money valuation, with a further £8m raise targeted for 2017. This valuation is significantly above the £11.3m implied by the valuation of Edge Performance VCT's investment as at 29 February 2016; in line with the Company's valuation policy, the value of the investment has been uplifted accordingly as at 28 February 2017. Edge Performance VCT did not participate in this most recent raise, as it was constrained by the diversification guidelines described on page 9. With the rise of ad skipping technologies, the business proposition is more relevant than it has ever been, and with the recent fundraise, the business is well funded to capitalise on the market opportunity.

Portfolio performance

As at 28 February 2017, the NAV total return per Share of each of the Share Funds stood at:

H Share Fund:
76.05p (75.32p as at 29 February 2016)

I Share Fund:
76.61p (77.15p[1] as at 29 February 2016)

[1] Presentation of the I Share class as at 29 February 2016 to reflect the share conversion as detailed in note 15 on page 51.

Non-qualifying investments

Initially, the net proceeds of each of the Company's offers for subscription for shares are invested in various fixed income securities, cash and cash equivalent assets, offering a high degree of capital preservation. Whilst a suitable level of return is sought, the Investment Manager has regarded, and will continue to regard capital preservation as an important consideration. Subsequently, up to 30% of each Share Fund will be maintained in such investments whilst the balance is reinvested in VCT-qualifying investments.

As at the end of year under review, the non-qualifying liquidity portfolios were all managed in conjunction with UBS.

During the year, the return on these funds averaged 0.1%, reflecting the continuing prevailing low yield environment.

As at 28 February 2017, the value of the treasury funds in the non-qualifying portfolio was as follows:

Share Fund	Value (£'000)
H	1,233
I	-
	1,233

Fundraising

The Company undertook no fundraising activities during the year under review.

Future realisation of portfolio investments

The remaining higher-underpinned investments in the I Share class are expected to be realised in late 2017 or early 2018.

As regards the four principal growth investment portfolio companies, the Investment Manager considers that the coming year is unlikely to be the optimal time to look to sell these investments; consequently, no exit is currently envisaged in relation to these investments in the next 12 months. An exit from Coolabi before mid-2020 at the earliest is unlikely (save only in response to an unsolicited approach).

Outlook

As at the date of this report, the H Share Fund still has some £1.7m available for VCT-qualifying investments.

After the end of the year under review, the Company invested £500,000 into Audioboom Group plc as part of an overall £4.5m fundraising for the business which specialises in the production, hosting, distribution and monetisation of podcast (digital spoken word) material.

In addition, the Company has the benefit of a co-investment arrangement with Edge Creative Enterprise Fund, a non tax-advantaged venture capital fund managed by an associated company of the Investment Manager. The Investment Manager is confident that the quality and volume of its dealflow will enable the remaining available money to be invested in interesting businesses within a reasonable amount of time.

For the Investment Manager, the focus continues to be on working with the investee companies in the portfolio towards achieving growth and value whilst considering strategies and opportunities for exit.

Edge Investments
Investment Manager

8 June 2017

Investment Portfolios
as at 28 February 2017

As at 28 February 2017, the Company's investment portfolio was as follows:

	Nature of business	Cost £'000	Valuation £'000	Basis of Valuation	Equity Holding (voting rights) %
Coolabi Group Limited	Children's content production and exploitation	16,563	27,320	Market multiple	50.00
Intent HQ Holdings Limited	Data analytics	13,525	1,929	Third party transaction	14.90
Mirriad Advertising Limited	Digital product placement	520	1,026	Third party transaction	2.71
deltaDNA Limited	Behavioural analytics for electronic games	1,000	1,000	Cost	12.50
Real Gone Gigs Limited	Live event promotion	906	811	NAV	49.97
Axis Live Entertainment Limited	Live event promotion	906	808	NAV	49.97
Alchemy Live Limited	Live event promotion	906	808	NAV	49.97
SEL Live Entertainment Limited	Live event promotion	906	808	NAV	49.97
La Cage Productions Limited	Live event promotion	816	688	NAV	49.97
UltraNation Limited	Live event promotion	816	686	NAV	49.97
Ramble On Limited	Live event promotion	816	688	NAV	49.97
E7 Live Limited	Live event promotion	816	688	NAV	49.97
Black Sheep Music Limited	Live event promotion	816	683	NAV	49.95
MM Promotions Limited	Live event promotion	816	683	NAV	49.97
Grove Music Limited	Live event promotion	816	688	NAV	50.00
Two Bridges Live Limited	Live event promotion	816	684	NAV	49.97
Done & Dusted Live Limited	Live event promotion	679	586	NAV	49.97
Newsflare Limited	Live event promotion	144	144	Cost	1.53
Handmade Mobile Entertainment Limited	Mobile application development	2,000	-	Write off	13.10
Lean Forward Limited	Online gambling	500	-	Write off	4.15
		45,083	**40,728**		

The investments are allocated across the share classes as follows;

H Share Portfolio	2017 Cost £'000	2017 Valuation £'000	2017 % of net assets by value	2016 Cost £'000	2016 Valuation £'000	2016 % of net assets by value
Qualifying investments						
Coolabi Group Limited	500	1,049	16.1	500	1,199	17.6
deltaDNA Limited	1,000	1,000	15.3	1,000	1,000	14.7
Intent HQ Holdings Limited	161	182	2.7	161	182	2.7
Lean Forward Limited	500	-	-	500	-	-
Mirriad Advertising Limited	470	962	14.8	470	487	7.1
Mirriad Limited	-	-	-	938	-	-
Newsflare Limited	144	144	2.2	-	-	-
Total qualifying investments	**2,775**	**3,337**	**51.1**	**3,569**	**2,868**	**42.1**
Non-qualifying investments						
Coolabi Group Limited	303	303	4.6	303	303	4.4
Total non-qualifying investments	**303**	**303**	**4.6**	**303**	**303**	**4.4**
Total fixed asset investments	**3,078**	**3,640**	**55.7**	**3,872**	**3,171**	**46.5**
Net current assets		2,890	44.3		3,650	53.5
Net assets		**6,530**	**100.0**		**6,821**	**100.0**

I Share Portfolio	2017 Cost £'000	2017 Valuation £'000	2017 % of net assets by value	2016 Cost £'000	2016 Valuation £'000	2016 % of net assets by value
Qualifying investments						
Qualifying investments						
Alchemy Live Limited	906	808	2.3	906	815	2.0
Axis Live Entertainment Limited	906	808	2.3	906	829	2.1
Black Sheep Music Limited	816	683	1.9	816	696	1.7
Coolabi Group Limited	14,888	24,671	69.5	14,888	27,556	67.2
Done & Dusted Live Limited	679	586	1.7	679	592	1.4
E7 Live Limited	816	688	1.9	816	698	1.7
Grove Music Limited	816	688	1.9	816	693	1.7
Handmade Mobile Entertainment Limited	2,000	-	-	2,000	-	-
Intent HQ Holdings Limited	8,617	1,746	4.9	8,617	1,746	4.3
La Cage Productions Limited	816	688	1.9	816	705	1.7
Mirriad Advertising Limited	50	64	0.2	50	31	0.1
Mirriad Limited	-	-	-	1,662	-	-
MM Promotions Limited	816	683	1.9	816	695	1.7
Ramble On Limited	816	688	1.9	816	698	1.7
Real Gone Gigs Limited	906	811	2.3	906	817	2.0
SEL Live Entertainment Limited	906	808	2.3	906	806	1.7
Two Bridges Live Limited	816	684	1.9	816	691	1.7
UltraNation Limited	816	686	1.9	816	703	1.7
Total qualifying investments	**36,386**	**35,790**	**100.7**	**38,048**	**38,771**	**94.4**
Non-qualifying investments						
Coolabi Group Limited	872	1,298	3.7	872	1,298	3.2
Intent HQ Holdings Limited	4,747	-	-	4,747	-	-
Total non-qualifying investments	**5,619**	**1,298**	**3.7**	**5,619**	**1,298**	**3.2**
Total fixed asset investments	**42,005**	**37,088**	**104.4**	**43,667**	**40,069**	**97.6**
Net current assets		(1,551)	(4.4)		977	2.4
Net assets		**35,537**	**100.0**		**41,046**	**100.0**

Income recognised in the year

Income recognised in the year was derived from debt instruments held in the following companies.

	£'000
Alchemy Live Limited	12
Aurora Rising Limited	6
Axis Live Entertainment Limited	12
Black Dog Live Limited	17
Black Sheep Music Limited	29
Clarksville Train Limited	6
Coolabi Group Limited	477
Daydream Believer Limited	6
Done & Dusted Live Limited	11
E7 Live Limited	29
Grove Music Limited	28
Interest-bearing deposits	17
La Cage Productions Limited	28
Libra Live Limited	6
MM Promotions Limited	28
Motti and Porg Limited	13
Ramble On Limited	28
Raphine Limited	6
Real Gone Gigs Limited	12
SEL Live Entertainment Limited	12
Sweet Right Peg Limited	6
Two Bridges Live Limited	28
UltraNation Limited	28
	845

Investment Portfolio

An overview of the Company's ten largest (by valuation) VCT-qualifying investments is provided below:

Coolabi Group Limited

Cost (£'000):	16,563
Valuation (£'000):	27,320
Basis of valuation:	Market multiple of EBITDA
Equity holding:	50.0% of voting rights

The valuation has been reduced by 10% (£3m) compared to 29 February 2016 and 31 August 2016. This reflects the expectation that profits in Coolabi's financial year to March 2017 may be down by approximately 9% on the previous year, but prudently does not take account of the fact that the comparable sector price earnings ratios have increased from 16.56 to 19.56 over the last year.

The business of Coolabi Group is covered on page 9.

In its financial year ended 31 March 2016, Coolabi Group reported revenues of £9.6 million (audited) and EBITDA of £3.6 million (audited). The net liabilities of the group at that date were £3.9 million (audited) after taking into account amounts due to Edge Performance VCT on redemption of the preference shares and loan notes which it holds in Coolabi Group.

Intent HQ Holdings Limited

Cost (£'000):	13,525
Valuation (£'000):	1,929
Basis of valuation:	Price of recent third party investment
Equity holding:	14.9% of voting rights

The business of Intent HQ Holdings is described on page 10.

Mirriad Advertising Limited

Cost (£'000):	520
Valuation (£'000):	1,026
Basis of valuation:	Price of recent third party investment
Equity holding:	3.1% (2.7% fully diluted) of voting rights

The business of Mirriad Advertising Limited is described on page 10.

In its financial year ended 31 December 2016, Mirriad Advertising Limited reported revenues of £0.7 million and an EBITDA loss of £7 million. The net assets of the company at that date were £10.3 million.

deltaDNA Limited

Cost (£'000):	1,000
Valuation (£'000):	1,000
Basis of valuation:	Price of recent third party investment, discounted
Equity holding:	12.5% of voting rights

The business of deltaDNA is described on page 10.

Real Gone Gigs Limited

Cost (£'000):	906
Valuation (£'000):	811
Basis of valuation:	Net asset value
Equity holding:	49.97% of voting rights

Adam Hollywood, the founder of the Real Gone Gigs Limited, has spent his whole career in the UK entertainment industry. Starting in the early 1980s as a journalist at The Economist, he then moved to The Sun/News of the World, where he was Entertainment Manager.

In 1986, he took up a marketing position at Epic Records, which at that time was label home to Michael Jackson, George Michael, Sade and Luther Vandross amongst many other globally established performers. In 1990, he moved into television marketing with the fledgling BSB TV, prior to being asked to join successful independent record label Telstar Records, as creative director.

In 2001, he joined Warner Bros Records, first as marketing director, and subsequently as General Manager, where he was responsible for marketing and promotion campaigns for acts such as Madonna, Green Day, Muse and Michael Bublé.

Since 2008, he has been working at Smile Entertainment and Portobello Records, specialising in providing marketing, creative and live music services to customers.

Events promoted by Real Gone Gigs in 2016 included concerts by Jason Isbell, Halsey and Nashville.

In the six months to 31 August 2016, the company reported revenues of £6k and EBITDA of (£16k).

Axis Live Entertainment Limited

Cost (£'000):	906
Valuation (£'000):	808
Basis of valuation:	Net asset value
Equity holding:	49.97% of voting rights

Axis Live Entertainment was established by Jeremy Pearce, who has been involved in many aspects of the music industry since 1975, first at United Artists and then CBS Records International in Paris, with operational and profit responsibility for eight CBS Songs affiliates in Europe. In 1987, he returned to CBS Records (later Sony Music), where he established its Licensed Repertoire Division, which entered into partnerships with independent record companies; as a result, Sony Music acquired rights to several of the most important independent acts of the time, including Suede, Oasis, Teenage Fanclub, Primal Scream and Gypsy Kings.

In 1996, he left Sony to establish V2 Music, the vehicle for Richard Branson's re-entry into the music business. Amongst the acts signed to V2 during his time there were Stereophonics, Tom Jones, Moby and Underworld. Since leaving V2 in 2002, he has carried on business as an artist manager and independent music publisher.

Concerts promoted by Axis Live Entertainment during 2016 included shows by Years & Years and The Vamps.

In the six months to 31 August 2016, the company reported revenues of £366k and EBITDA of (£3k).

Alchemy Live Limited

Cost (£'000):	906
Valuation (£'000):	808
Basis of valuation:	Net asset value
Equity holding:	49.97% of voting rights

Robert Horsfall, the founder of Alchemy Live Limited has been involved in the UK music industry for more than 30 years. Initially a solicitor at Theodore Goddard, and subsequently at specialist entertainment law firm, Lee and Thompson, he has represented a range of clients in the music sector, including independent record companies, music publishers, managers, promoters, agents, performers and writers. In the late 1980s, he became Director of Business Affairs at London Records and London Music, part of the PolyGram (now Universal Music) Group, where London's signed roster of acts included New Order, Happy Mondays, Shakespeare's Sister, All Saints and Fine Young Cannibals.

In 2006, he founded Sound Advice, providing legal, financial, management and live tour management services to clients; artists represented by Sound Advice have included Yusuf Islam (Cat Stevens) and James Morrison.

Concerts promoted by the company during 2016 included shows by The Vamps and Stuff You Should Know. In the six months to 31 August 2016, the company reported revenues of £231k and EBITDA of (£3k).

SEL Live Entertainment Limited

Cost (£'000):	906
Valuation (£'000):	808
Basis of valuation:	Net asset value
Equity holding:	49.97% of voting rights

The founder of the company, Richard Baskind, is an experienced media and entertainment lawyer and is a partner at London-based media law firm Simons Muirhead & Burton. He has been a lawyer in the entertainment industry for over 15 years and his clients range from artists to songwriters to fashion designers, producers to record labels and music publishers as well as promoters and event companies. Included within his client base are Sarah Brightman, Nick Cave and Fatboy Slim.

Concerts promoted by the company during 2016 included shows by Bootleg Beatles and Autism Rocks.

In the six months to 30 September 2016, the company reported revenues of £11k and EBITDA of (£13k).

La Cage Productions Limited

Cost (£'000):	816
Valuation (£'000):	688
Basis of valuation:	Net asset value
Equity holding:	49.97% of voting rights

The Company was founded by Julian Lyons, who qualified as a chartered accountant in 1990. For more than 10 years, he gained extensive experience of financial, commercial and operational management in the entertainment industry, as finance director of the SPZ Group; SPZ's business activities spanned recorded music, music publishing, recording studio management, artist representation, promotion of live events and live event logistical support. On leaving SPZ Group, he became joint managing director at Wardlaw Banks, a London-based boutique music publisher. He has also been a member of the ICAEW's Entertainment & Media Special Interest Group.

Concerts promoted by the company during 2016 included shows by RIVRS and Rod Stewart.

In the period ended 31 October 2016, the company reported revenues of £528k and EBITDA of (£11k).

The remaining balance of Edge Performance VCT's investment in La Cage Productions was realised shortly after the end of the year under review.

E7 Live Limited

Cost (£'000):	816
Valuation (£'000):	688
Basis of valuation:	Net asset value
Equity holding:	49.97% of voting rights

E7 Live Limited was founded by Seven Webster, who has managed the careers of many worldwide established artists over the last 18 years across the spectrum of music, ranging in style from dance DJs Sasha & Digweed through to multi-million selling singer songwriter Dido and hit producers StoneBridge and BT. Aside from his role as an artist manager, he has also acted as a freelance festival booker and consultant, booking a large number of festivals, including the Hard Rock Hell Festival, Hammerfest, the New Musical Express's NME Weekender, and SFX weekender, a successful science fiction weekend festival and convention.

In the period ended 31 October 2016, the company reported revenues of £528k and EBITDA of (£11k).

The remaining balance of Edge Performance VCT's investment in E7 Live was realised shortly after the end of the year under review.

This report has been prepared by the Directors in accordance with the requirements of Section 414C of the Companies Act 2006. The Directors consider that the annual report and accounts of the Company for the year ended 28 February 2017 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.

Investment Strategy

Edge has pioneered an approach which was designed to address the key issues which the Directors believe have in the past deterred some individuals from investing in VCTs, namely the ability to recover the net cost of investment as soon as possible after five years, and the perceived level of risk of the underlying investments. Edge, using the skills of the Directors and the investment team of the Investment Manager who collectively have a depth of sector experience in the entertainment industry, seeks to allow investors to take advantage of VCT tax reliefs whilst combining:

- high targeted returns;
- downside risk protection; and
- liquidity.

Edge's structure aims to minimise the risk to the investor, whilst still permitting the investor to benefit from attractive returns by utilising arrangements that seek to combine high targeted returns with reduced downside risk and enhanced liquidity. The majority of the portfolio investments will include loan finance which should provide additional capital protection.

Further detail of the Company's investment policy is given on page 3.

The Directors do not foresee any major changes in the activity undertaken by the Company in the foreseeable future. The Company's priorities in the short and medium term are (i) continuing to satisfy the requirement under VCT rules that, in respect of funds which are three or more years old, at least 70% by value of its investments are in shares or securities comprised in VCT-qualifying holdings and (ii) closely monitoring the performance of the investment portfolios with the aim of maximising their performance, and (iii) identifying suitable realisation opportunities.

Results and Dividends

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 4 and 5) and the Investment Manager's review (pages 9 to 11). Details of the venture capital investments made by the Company are given in the investment portfolios (pages 12 to 15) and the venture capital investments report (pages 16 to 18). A summary of the Company's key financial measures is given on pages 1 and 2. Details of important events occurring after the balance sheet date can be found in note 18 to the financial statements on page 55.

The net asset value total return per Share comprises the net asset value per Share plus cumulative dividends paid per Share. Net asset value is calculated at least quarterly with investments valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines. During the year under review, the Company's net asset value total returns per Share changed as shown in the table on page 10.

Over the same period, the FT All Share Media Index rose by 4%. Graphs comparing, for each of the Company's share classes, the Share price total return, the net asset value total return per Share and the total return from a notional investment of 100p in the FT All Share Media Index over the period from 5 April 2012 to 28 February 2017 are presented on page 27.

As mentioned in the Chairman's Statement on pages 4 and 5 and described more fully in note 15 on page 51, during the year, all of the "planned exit" share classes in the Company were consolidated into one share class. Consequently, all C Shares, D Shares, E Shares, F Shares and G Shares were converted into I Shares; completion of the conversion took place on 16 September 2016. The Company now has two classes of shares, namely the "evergreen" H Share class and the "planned exit" I Share class.

As shown in the Company's statement of comprehensive income on page 35, the Company's returns per share in the year ended 28 February 2017 were:

	H Share Fund	I Share Fund
Revenue return per share, pence	(0.62)	0.19
Capital return per share, pence	1.37	(6.21)
Total return per share, pence	0.75	(6.03)

Comparatives for year ended 29 February 2016 were:

	H Share Fund	I Share Fund
Revenue return per share, pence	(0.55)	0.46[1]
Capital return per share, pence	(9.29)	(8.22)[1]
Total return per share, pence	(9.84)	(7.76)

[1] Presentation of the I Share class as at 29 February 2016 to reflect the share conversion as detailed in note 15 on page 51.

Prior to the conversion as detailed in note 15 on page 51, interim dividends in respect of the year ended 28 February 2017 were paid during the year ended 28 February 2017 as follows:

- 3.5p per H Share
- 7.0p per I Share

Interim dividends in respect of the year ended 28 February 2017 of 7.0p per G Share and 7.0p per I Share were paid after the year end, on 7 April 2017, based on the original share class holdings prior to the conversion as detailed in note 15 on page 51.

Principal Risks and Uncertainties

The Board has adopted a risk management programme whereby it continually identifies the principal risks faced by the Company and reviews both the nature and effectiveness of the internal controls adopted to protect the Company from such risks as far as is possible.

The Board believes that the principal risks to which the Company is exposed are:

- economic risk – events such as a downturn in the media sector or a tightening of credit facilities may adversely affect the Company's investee companies and make successful divestments less likely;
- investment risk – the adoption of inappropriate investment policies, sourcing too few investment opportunities of the required standard, and taking investment decisions without having undertaken sufficiently robust due diligence;
- financial risk – poor financial controls which may lead to the misappropriation of assets or inappropriate financial decisions and breaches of regulations through deficient financial reporting; and
- regulatory – failure to comply with any of the regulations to which the Company is subject which include the provisions of the Companies Act 2006, the Listing Rules, applicable Accounting Standards and VCT rules.

Further information about the Company's internal controls is given in the statement of corporate governance on pages 28 to 30.

Risk management and internal control

As required by the AIC Code of Corporate Governance (the "AIC Code") the Directors carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

Changes in legislation

Changes made during the year under review to the Income Tax Act related primarily to VCTs' non-qualifying investments. The Company does not believe that these changes will have a material impact on its investment strategy.

Total expense ratio and relevant total running costs

The total expense ratio, calculated as the year's expenses (as disclosed in the statement of comprehensive income and accounting for the exclusions noted below) divided by the closing net asset value for the year, was 3.5%. Under the terms of the investment management agreement, the running costs of the Company (excluding the Investment Manager's performance related incentive fee, trail commission, irrecoverable VAT and costs of any significant corporate activity) are restricted to a maximum of 3.75% of the net asset value of the Company. Any excess will be paid by the Investment Manager. For the year ended 28 February 2017, therefore, the Investment Manager recovered £91,900 of the £315,800 excess repaid in respect of the year ended 29 February 2016.

Statement on long-term viability

As required by the Listing Rules, the Directors have assessed the prospects of the Company for the period to 29 February 2020 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 over that period.

The Directors consider that for the purpose of this exercise, it is not practical or meaningful to look forward over a period of more than three years. 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, the cash holdings and the liquidity of non-qualifying investments, as well as future fundraising, investment opportunities and the payment of dividends to shareholders.

Share price discount policy

The Company has a share buy-back facility, under which the price at which the Company will buy back shares will be no lower than at a 10% discount to the prevailing NAV, subject to Directors' discretion. The Company will be asking shareholders at this year's annual general meeting to extend the facility for the Company to purchase shares in the market for cancellation. The Directors have decided to suspend the Company's share buy-back facility until such time as the market prices and the net asset values per share of the Company's shares are sufficiently close to ensure that the operation of the Company's policy would be consistent with the terms of the resolution to be put to the 2017 annual general meeting. Shareholders should note that if they sell their shares within five years of subscription they forfeit any tax relief obtained. If you are considering selling your shares please contact The City Partnership on 0131 243 7210.

Environmental, social, employee and human rights issues

The Company had no employees during the year and the Company has four male non-executive Directors. The Board recognises the requirement to detail information about any Company employees and social and community issue; including information about any policies it has in relation to these matters and effectiveness of these policies. The Company, being an externally managed investment company with no employees, has no policies in relation to social, community and human rights issues.

Gender diversity

The Board has considered the recommendations of the UK Corporate Governance Code (the "UK Code") concerning gender diversity and welcomes initiatives 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 gender diversity is a significant element of this.

Future prospects

The H Share Fund has about £1.7m to invest over the coming years. The continuing difficulties encountered by small – and medium-sized businesses in securing bank financing, coupled with the Investment Manager's and Board's extensive range of contacts within the creative industries sector, mean that current deal flow is of a sufficient quality and at a sufficient level that the Investment Manager anticipates being able to invest those additional funds in suitable new VCT qualifying investments within a relatively short period of time.

By order of the Board

The City Partnership (UK) Limited
Company Secretary

8 June 2017

The Statement of Corporate Governance forms part of the Directors' Report.

Directors

The Directors who have served throughout the year under review and who continue to serve are Sir Robin Miller, David Glick, Kevin Falconer and Lord Flight.

In accordance with the AIC Code any Director who has served for more than nine years will stand for re-election annually therefore a resolution to re-elect Sir Robin Miller will be put to this year's annual general meeting. Following a performance evaluation, the Directors are satisfied that Sir Robin Miller's performance continues to be effective, and that he has demonstrated commitment to his roles including devoting time for meetings of the Board and relevant Board committees, and other duties, the Board therefore recommends he be re-elected as a Director at the AGM.

David Glick is also a director of the Investment Manager, and is therefore required by the Listing Rules to submit himself for re-election, on an annual basis by the shareholders; the Company's 2017 annual general meeting will therefore also consider a proposal for his re-election as a Director.

Brief biographical information on the Directors is shown on pages 6 and 7.

In accordance with the independence provisions of the Listing Rules, and in particular rule 15.2.12A, the Company should have a majority of the Board who are not also directors of another company managed by the Manager. The Board fully complies with this obligation.

Share capital

On 16 September 2016, all C Shares, D Shares, E Shares, F Shares and G shares were converted into I Shares and deferred shares as detailed in the Chairman's Statement on pages 4 and 5 and in note 15 on page 51.

The Company operates a policy of buying back shares for cancellation. During the year, no shares were bought back at the request of the relevant shareholders.

As at 28 February 2017, the issued share capital of the Company was as follows:

Share Class	Number of Shares in issue
H	10,522,984
I	73,103,650
Total	**83,626,634**

At a general meeting of the Company, every shareholder has one vote on a show of hands, and on a poll, one vote for each share held.

On a winding-up or return of capital, the assets of the Company attributable to a particular share class shall be distributed rateably among shareholders according to the number of shares held in that class.

Investment management agreement

On 4 November 2014, the Company entered into an agreement with the Investment Manager to manage and promote the offer for subscription for H Shares which was launched on that date. Under that agreement, the Investment Manager is entitled to an initial fee of 5% of the aggregate value of the gross proceeds of that offer and an annual fee equal to 0.25% of the gross proceeds of the offer for a period of 4 years.

On 8 November 2013, the Company entered into an investment management agreement with the Investment Manager. The appointment is for an initial period ending on 11 April 2018 (11 April 2019 in respect only of the H Share Fund) and may be terminated thereafter by either party on 12 months' notice, such notice to be served at the end of the initial period or at any time thereafter.

Under the terms of the investment management agreement, the Investment Manager will receive: (a) an annual management fee of 1.75% of the net asset value attributable to the I Shares, plus VAT (if applicable); (b) an annual management fee of 2.25% of the net asset value attributable to the H Shares plus VAT (if applicable); and (c) a performance fee which is outlined in more detail below.

Unless otherwise agreed from time to time between the Company and the Investment Manager, the Investment Manager will be responsible for external costs, such as legal and accounting fees, incurred in relation to the negotiation and (if applicable) completion of all VCT-qualifying investments. The Investment Manager retains the right to charge arrangement, monitoring, syndication, exit and directors' fees to the businesses in which the Company invests. Such charges are in line with industry practice and the arrangement fees typically amount to between 1% and 3% of the amount of each investment plus VAT (if applicable). The Investment Manager will normally nominate one of its team to act as a director of each investee company.

In August 2016, the performance fee in respect of the I Share Fund was removed. The Board announced that it will, in due course, undertake a wider review of the Company's future performance and consider implementing an alternative incentive, if appropriate, which will be subject to shareholder approval. The Investment Manager has been fully supportive of this process.

In respect of the H Shares, once and for so long as cumulative dividends paid or declared equal or exceed an average of 7p per H Share per annum, the Investment Manager will receive an annual performance fee equal to 19% of the net asset value per H Share in excess of £1.00. Once and for so long as cumulative dividends paid or declared equal or exceed an average of 14p per H Share per annum, the Investment Manager will receive an annual performance fee equal to 29% of the net asset value per H Share in excess of £1.00. That calculation will be made on a six-monthly basis, by reference to the Company's published annual report and financial statements and the Company's published half-yearly financial statements.

In respect of share buy-backs undertaken in relation to some, but not all, shareholders, the Investment Manager will be entitled to a performance fee in respect of such distributions, to the extent that the proceeds of those buy-backs results in the cumulative amount paid to the relevant shareholders exceeding an applicable hurdle or threshold as set out above.

The performance fees described above are to be paid in cash and can be assigned by the Investment Manager to some or all of its investment team.

A performance fee of 1% (calculated on the same basis as the Investment Manager's performance fee) is also payable to Robin Miller Consultants Limited.

Administrative services agreement

On 18 February 2013, the Company entered into an administrative services agreement with the Investment Manager, under which the Investment Manager has agreed to provide administrative services to the Company. Under this agreement, the Investment Manager will receive a fixed fee of £275,000 per annum (plus VAT, if applicable), such fee to be adjusted annually by reference to the movement in the Retail Prices Index in the second and subsequent years of the appointment. The appointment is for an initial period ending on 11 April 2018 and may be terminated thereafter by either party on 12 months' notice, such notice to be served at the end of the initial period or at any time thereafter.

Investment Manager's engagement

The Board is responsible to shareholders for the proper management of the Company and for determining the Company's investment policy. Investment and divestment opportunities are originated, negotiated and decided on by the Investment Manager. Company secretarial and accountancy services are provided to the Company by, respectively, The City Partnership (UK) Limited and HW Fisher & Company.

In reviewing the work of the Investment Manager, the Board looks to be satisfied that:

- the Company's investment policy is being followed;
- each investment or divestment decision is subjected to rigorous due diligence;
- risk is further mitigated by investing across a sufficiently diverse range of businesses and by maintaining a balance between equity and loan stock exposure; and
- the portfolio will meet the HMRC VCT conditions.

Based on that review, the Board is of the opinion that the continued appointment of the Investment Manager on the terms agreed – and, preferably, including the performance fee to be proposed to the 2017 annual general meeting – is in the interests of the Company's shareholders as a whole.

In consideration of the Company's financial performance, the Board, taking account of the comparatively long term nature of the Company's investments, pays particular attention to net asset value total return per Share, total expense ratio and performance against the FT All Share Media Index (which is considered to be the most appropriate broad equity market index for comparative purposes).

Annual running costs

If the annual running costs of the Company in any year exceed 3.75% of the net assets of the Company, the Investment Manager will be responsible for the excess. For these purposes, annual running costs of the Company include, amongst other things, the annual management fees described above, the administrative services fee described above, Directors' remuneration, company secretarial and accounting fees, audit, taxation advice, sponsor's and registrar's fees and the costs of communicating with shareholders, but exclude irrecoverable VAT, trail commission payable to financial intermediaries, the Investment Manager's performance fee described above and the cost of significant corporate activity.

Global greenhouse gas emissions

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

Substantial shareholdings

So far as the Company is aware, as at 28 February 2017 and as at the date of this report, the only persons who, directly or indirectly, have an interest of 3% or more of the Company's issued share capital or voting rights are set out below:

Name	Shares held as at 28 February 2017	% of issued Shares as at 28 February 2017	Shares held as at the date of this report	% of issued Shares as at the date of this report
Luna Nominees Limited	7,157,310	8.6	7,157,310	8.6
UBS Private Banking Nominees Ltd	5,175,441	6.2	5,175,441	6.2
CGWL Nominees Limited	4,555,986	5.4	4,845,656	5.8

Accountability and audit

The statement of Directors' responsibilities is set out on page 31 of this report. The independent auditor's report is set out on pages 32 to 34 of this report. The Directors who held office at the date of the approval of this Directors' Report confirm that, so far as they are aware there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that auditors are aware of that information.

Independent auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as auditor to the Company and resolutions proposing the reappointment and authorising the Directors to determine the remuneration for the ensuing year will be put to shareholders at the Company's 2017 annual general meeting.

2017 Annual General Meeting

The Company's 2017 annual general meeting will be held in the summer. Notice of the meeting will be sent to shareholders in the coming weeks.

By order of the Board

The City Partnership (UK) Limited
Company Secretary

8 June 2017

This report has been prepared by the Directors in accordance with the requirements of the Companies Act 2006 and The Large and Medium sized Company and Groups

(Accounts and Reports) (Amendments) Regulations 2013 (the "Regulations"). Ordinary resolutions for the approval of the Directors' remuneration policy and the Directors' remuneration report will be proposed at the 2017 annual general meeting.

The Company's auditor, Grant Thornton UK LLP, is required to give its opinion on certain information included in this report. The disclosures which have been audited are indicated as such. Its report is set out on pages 32 to 34.

Annual statement from the Chairman of the Company

There have been no changes to Directors' remuneration in the year to 28 February 2017; the Directors fees have been set at the same level since November 2010. Directors' fees are reviewed annually and are set by the Board to attract individuals with the appropriate range of skills and experience. In determining the level of fees, their duties and responsibilities are considered, together with the level of time commitment required in preparing for and attending meetings. The remit of the remuneration committee is included in the statement of corporate governance on pages 28 to 30.

The Board carried out a performance evaluation of the Board, committees and individual Directors during the year. Due to the size of the Company, the fact that the majority of the Directors are independent non-executive Directors and the costs involved, external facilitators are not used in the evaluation of the Board. The Directors concluded that the balance of skills and Directors is appropriate and all Directors contribute fully to discussion in an open, constructive and objective way. The size and composition of the Board and its committees are considered adequate for the governance of the Company.

Remuneration committee

During the year under review, the members of the Company's remuneration committee, a fully constituted board committee, were Sir Robin Miller and Kevin Falconer. The committee's primary function is to determine each Director's remuneration. The committee did not meet in the year ended 28 February 2017. The committee has not received any advice or services from any person in respect of the Directors' remuneration during the year under review.

Directors' remuneration policy

The remuneration committee 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.

At a general meeting held on 24 November 2010, it was resolved that the maximum aggregate amount which may be paid out of the funds of the Company as fees to Directors of the Company who are not managing or executive Directors is:

- in respect of the Company's financial year ending 28 February 2011, £110,000 (exclusive of VAT); and
- in respect of each subsequent accounting period of the Company, the maximum amount applicable to the immediately preceding accounting period of the Company, increased by the percentage increase (if any) during such preceding accounting period in the general index of retail prices for all the items (RP02) published by the Office for National Statistics (exclusive of VAT).

The Company operates a performance-related incentive scheme from which two Directors, David Glick and Sir Robin Miller, may benefit. Details of the scheme are set out below and on pages 23 and 45.

Under the scheme, the performance fee payable to the Investment Manager is to be paid in cash and can be assigned by the Investment Manager to some or all of the Investment Manager's investment team. David Glick will benefit through his shareholding in the Investment Manager.

Under the letter of appointment between the Company and Robin Miller Consultants Limited, Robin Miller Consultants Limited is entitled, in respect of the H Share Fund, to receive a performance fee of 1% (calculated on the same basis as the Investment Manager's performance fee). Sir Robin Miller will benefit through his shareholding in Robin Miller Consultants Limited. His entitlement to a performance fee in respect of the I Share Fund fell away in August 2016, with the Board's decision to remove the Investment Manager's performance fee in respect of the I Share Fund.

It is the intention of the Board that, unless any revision to this policy is deemed necessary, this policy will continue to apply in the forthcoming and subsequent financial years. The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration.

This policy was approved by the members at the 2014 annual general meeting. It is intended that this policy will continue for the year ending 28 February 2017 and subsequent years. In accordance with the Regulations, an ordinary resolution to approve the Directors' remuneration policy will be put to shareholders at least once every three years; therefore a resolution for shareholders to approve the Directors' remuneration policy will be put to the 2017 annual general meeting.

Directors' Annual Report on Remuneration

All of the Directors are non-executive and therefore there is no Chief Executive Officer ("CEO"). The Company does not have any employees. In the absence of a CEO or employees, there is no CEO or employee information to disclose.

Terms of Appointment

The Company's articles of association provide that the Directors shall retire and be subject to re-election at least every three years. None of the Directors has a service contract with the Company. On being appointed, Directors receive a letter from the Company setting out the terms of their appointment and their specific duties and responsibilities. A Director's appointment may be terminated by the Director or by the Company on the expiry of six months' notice in writing given by the Director or the Company, as the case may be.

Directors' Fees for the year (audited)

The fees payable to individual Directors in respect of the year ended 28 February 2017 are shown in the table below (net of VAT & employer's National Insurance contributions). Sir Robin Miller's fees were paid to Robin Miller Consultants Limited in consideration for his services.

Director	Total fee paid for year ended 28 February 2017 £	Annual fee £	Total fee paid for year ended 29 February 2016 £	Annual fee £
Sir Robin Miller (chairman)	20,000	20,000	20,000	20,000
Kevin Falconer (audit committee chairman)	17,500	17,500	17,500	17,500
Frank Presland*	-	-	14,016	15,000
David Glick	15,000	15,000	15,000	15,000
Lord Flight	15,000	15,000	15,000	15,000

* Frank Presland retired from the Board on 5 February 2016.

No performance fee was paid to Robin Miller Consultants Limited during the year ended 28 February 2017.

No taxable benefits were paid to the Directors, no pension related benefits were paid to the Directors and no money or other assets were received or receivable to the Directors for the relevant financial year. No payments were made to past Directors or any payments made for loss of office.

Relative importance of spend on pay

The table below shows the remuneration paid to Directors and shareholder distributions in the year to 28 February 2017 and the prior year:

	Percentage increase/ (decrease)	2017 £'000	2016 £'000
Total dividend paid to shareholders	(79.7)	1,472	7,269
Total Directors' fees	(17.2)	67.5	81.5

Directors' shareholdings (audited)

The interests of the current Directors and their connected persons in the share capital of the Company as at 28 February 2017 are shown below.

	No of H Shares as at 28 February 2017	Percentage holding %	No of I Shares as at 28 February 2017	Percentage holding %
Sir Robin Miller	-	-	50,091	0.07
David Glick	167,424	1.59	130,491	0.18
Kevin Falconer	-	-	-	-
Lord Flight*	-	-	62,042	0.08

* The I Shares shown above as held by Lord Flight include 28,774 I Shares held by his wife, Lady Flight. Under the Market Abuse Regulation the definitions of connected persons have changed which has resulted in a decrease of 19,788 shares in Lord Flight's beneficial holdings during the year.

Comparative shareholdings as at 29 February 2016 are noted below:

	No of C Shares as at 29 February 2016	Percentage holding %	No of D Shares as at 29 February 2016	Percentage holding %	No of E Shares as at 29 February 2016	Percentage holding %	No of F Shares as at 29 February 2016	Percentage holding %
Sir Robin Miller	-	-	53,000	0.28	-	-	-	-
David Glick	21,629	0.23	21,200	0.11	1,000	0.01	1,000	0.00
Kevin Falconer	-	-	-	-	-	-	-	-
Lord Flight	-	-	-	-	-	-	-	-

	No of G Shares as at 29 February 2016	Percentage holding %	No of H Shares as at 29 February 2016	Percentage holding %	No of I Shares as at 29 February 2016	Percentage holding %
Sir Robin Miller	16,050	0.07	-	-	10,300	0.07
David Glick	21,600	0.09	167,424	1.59	98,280	0.62
Kevin Falconer	-	-	-	-	-	-
Lord Flight	57,200	0.24	-	-	32,400	0.21

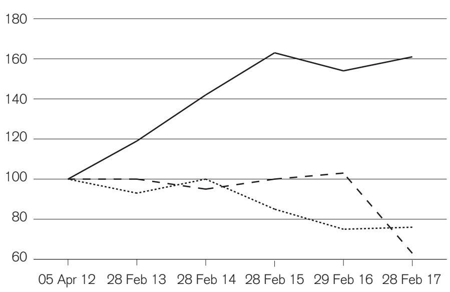
There have been no changes in the holdings of the Directors between 28 February 2017 and the date of this report. The Company has not set out any formal requirements or guidelines for a Director to own shares in the Company.

Company Performance

The graphs below compare the share price total returns for the H and I Shares and the net asset value total returns per share for the H and I Shares with the total returns from a notional investment of 100p in the FT All Share Media Index over the same periods. This index is the most appropriate broad equity market index for comparative purposes.

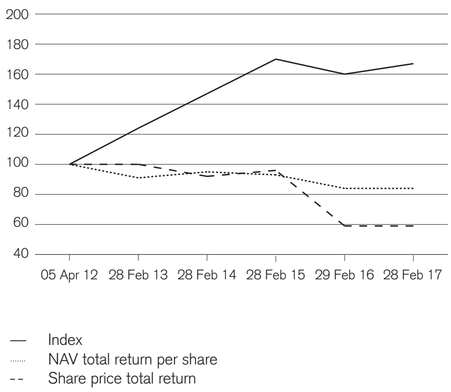
H Shares

Period from 5 April 2012 to 28 February 2017



I Shares

Period from 5 April 2012 to 28 February 2017



The share price total return and net asset value total return per share comprise the share price and net asset value per share respectively together with the cumulative dividends paid.

At the last annual general meeting held on 25 August 2016, 86.9% of shareholders voted for, 13.1% voted against and 345,701 shares were withheld in respect of the resolution approving the Directors' Remuneration Report. At the annual general meeting held on 7 August 2014, 93.7% voted for, 6.3% voted against and 84,777 shares were withheld in respect of the resolution approving the Directors' remuneration policy. Ordinary resolutions for the approval of the Directors' remuneration policy and Directors' remuneration report will be put to shareholders at the forthcoming annual general meeting.

By order of the Board

The City Partnership (UK) Limited
Company Secretary

8 June 2017

Statement of Corporate Governance

This statement forms part of the Directors' Report

Statement of compliance

The Directors confirm that the Company has taken appropriate action to enable it to comply with the principles of the UK Code.

As a venture capital trust, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the UK Code are directly applicable to the Company. Apart from the matters referred to in the following paragraphs, the requirements of the UK Code were complied with throughout the period ended 28 February 2017.

All Directors have rolling term appointments with a six month notice period. Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as necessary. In light of the responsibilities retained by the Board and its committees and of the responsibilities delegated to the Investment Manager and the company secretary, the Company has not appointed a chief executive, deputy chairman or a senior independent non-executive Director. When a new Director is appointed, he or she is offered an induction programme arranged with the Investment Manager.

Board of Directors

The Company has a board of four non-executive Directors, three of whom are considered to be independent. The remaining Director, David Glick, is also a director of the Investment Manager. The Company has no staff.

Two of the Directors have signed letters confirming the terms of their appointment as non-executive Directors with effect from 18 January 2006; one Director has signed such a letter with effect from 19 January 2011; the fourth Director has signed such a letter with effect from 18 October 2011. The Board does not believe that length of service will necessarily compromise the independence or effectiveness of Directors and no limit has been placed on the overall length of service. The Board considers that such continuity and experience can be of significant benefit to the Company and its shareholders. However, in accordance with corporate governance best practice, any Director who has served for more than nine years will be subject to annual re-election annually; therefore a resolution to re-elect Sir Robin Miller will be put to the forthcoming annual general meeting.

In accordance with the Company's articles each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected.

Directors are provided with key information on the Company's activities including regulatory and statutory requirements and internal controls by the Company's solicitors, the Company's VCT status adviser, the company secretary and the Investment Manager. The Board has direct access to corporate governance advice and compliance services through the company secretary, who 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. Any newly appointed Director will be given a comprehensive introduction to the Company's business including meeting the Company's advisers.

When Directors have concerns that cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in a board minute. On resignation, a Director who has any such concerns is encouraged to provide a written statement to the Chairman, for circulation to the Board.

The Board is responsible to shareholders for the proper management of the Company and aims to meet at least quarterly. 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. The chairman together with the company secretary establishes the agenda for each board meeting and all necessary papers are distributed in advance of the meetings. The Board considers all matters not included within the remits of the board committees.

All the Directors are equally responsible for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that the policies and operations are in the best interests of the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

Board committees

There are three board committees: an audit committee, a remuneration committee and a nomination committee. Copies of their terms of reference are available from the company secretary.

Audit committee

The audit committee comprises at least two independent Directors. The members of the audit committee are Kevin Falconer (chairman) and Lord Flight. In accordance with the UK Code, at least one member of the Audit Committee has recent and relevant financial experience. A quorum is two members of the committee.

Written terms of reference have been constituted for the audit committee and include the following key duties:

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- to review the Company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent Directors, or by the board itself, to review the Company's internal control and risk management systems;

- to make recommendations to the Board, for it to put to shareholders in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor; and
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.

During the year ended 28 February 2017, the committee discharged the responsibilities described above. Its activities included:

- formally reviewing the final annual report and financial statements, the half-yearly report and the associated announcements, with particular focus on the main areas requiring judgement and on critical accounting policies;
- reviewing the effectiveness of the internal controls system;
- meeting with the external auditor and reviewing its findings; and
- reviewing the performance of the Investment Manager and making recommendations to the Board.

The significant issue addressed by the audit committee in relation to the financial statements was the valuation of the Company's unquoted investments. The valuation methodologies employed by the Investment Manager were reviewed and reference was made to both the external auditor and the International Private Equity and Venture Capital Guidelines; and the valuations determined by the Investment Manager were examined against financial and performance information concerning the companies in which investments were held.

The audit committee has managed the relationship with the external auditor and assessed the effectiveness of the audit process. When assessing the effectiveness of the process for the year under review the audit 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 resources; that the auditor provided a clear explanation of the scope and strategy of the audit and that the auditor maintained independence and objectivity. As part of the review of auditor effectiveness and independence, Grant Thornton UK LLP has confirmed that it is independent of the Company and has complied with applicable international standards on auditing. Grant Thornton UK LLP has held office as auditor since August 2011.

Remuneration Committee

This is a fully constituted board committee established primarily to determine each Director's remuneration. The committee shall comprise at least two independent Directors. The members of the committee are Sir Robin Miller and Kevin Falconer. A quorum is two members of the committee.

Nomination Committee

This is a fully constituted board committee established primarily to identify and nominate, for the approval of the Board, candidates to fill board vacancies as and when they arise and to monitor and review the effectiveness and performance of individual Directors. The committee comprises at least two members, no less than one of whom shall be an independent Director. The members of the committee are Sir Robin Miller and Lord Flight. A quorum is two members of the committee.

In considering appointments to the Board, the nomination committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board. The nomination committee also considers the annual re-election of Directors. When recommending new candidates to the Board, the Directors draw on their extensive business experience and range of contacts to identify suitable candidates. The use of formal advertisements and external consultants is not considered cost-effective given the size of the Company.

During the year ended 28 February 2017, there were:

- 8 board meetings convened to consider general business (and several other board meetings convened to consider the share capital simplification process undertaken during the year under review)
- 3 meetings of the audit committee
- no meetings of the remuneration committee
- no meetings of the nomination committee

Attendance at Board and committee meetings

The Directors' attendance at the board meetings convened to consider general business and at committee meetings is noted below.

Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Sir Robin Miller	8	n/a	No meeting in year	No meeting in year
David Glick	8	n/a	n/a	n/a
Kevin Falconer	5	3	n/a	n/a
Lord Flight	8	3	n/a	n/a

Relations with shareholders

The Board welcomes the views of shareholders and puts a premium on effective communication with the Company's members.

All written communication with shareholders is reviewed by the Board to ensure that shareholder enquiries are promptly and adequately resolved.

Shareholders are encouraged to attend the Company's general meetings, 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 interim and annual reports 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.

Internal Control

The Board has established an ongoing 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 regular reviews of both the financial results and investment performance.

The Board has delegated to third parties the provision of: investment management services; legal and VCT status advisory 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 five areas: statutory and regulatory compliance, financial reporting, investment strategy, investment performance and reputation.

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 is satisfied with the effectiveness of the Company's controls.

Internal audit

The Company does not have an independent internal audit function. Such a function is thought by the Board to be unnecessary at this time given the size of the Company and the nature of its business. However, the audit committee considers annually whether an independent internal audit function should be introduced and reports its conclusions to the Board.

Going concern

The Company's major cash flows are within the Company's control (namely investment additions and dividends) or are reasonably predictable (namely the operating expenses). The Company is able to forecast cash inflows comprising proceeds from investments to a reasonable degree. Thus the Directors believe it is appropriate to continue to apply the going concern basis in preparing the financial statements.

By order of the Board

The City Partnership (UK) Limited
Company Secretary

8 June 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether all applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors confirm that they have complied with these requirements.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and statement of corporate governance which comply with the law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The work carried out by Grant Thornton UK LLP as independent auditor of the Company does not involve consideration of the maintenance and integrity of the website and accordingly Grant Thornton UK LLP accepts no responsibility for any changes which may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Sir Robin Miller
Chairman

8 June 2017

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Who we are reporting to

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

What we have audited

Edge Performance VCT Public Limited Company's financial statements for the year ended 28 February 2017 comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes.

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

Overview of our audit approach

- Overall materiality: £421,000, which represents 1% of the Company's total assets; and
- Key audit risk was identified as the valuation of unquoted investments

Our assessment of risk

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

Audit risk	How we responded to the risk
Valuation of unquoted investments Unquoted investments are the largest asset class in the financial statements (comprising 75% of the Company's total assets) and are measured at fair value through profit or loss in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Measurement of the fair value of an unquoted investment is subjective and includes significant assumptions. We therefore identified the valuation of unquoted investments as a risk that requires special audit consideration.	Our audit work included, but was not restricted to: • obtaining an understanding of how the valuations were performed by obtaining the underlying valuation assessments from the investment manager and evaluating their approach with reference to the International Private Equity and Venture Capital guidelines; • obtaining an understanding of the performance of investee companies through review of signed financial statements or recent management accounts, the key factors affecting valuation in the industries they operate in and any specific company issues which may impact their values through discussions with the investment manager; • obtaining supporting transaction documentation such as share subscription agreements where fair value is determined based on the most recent transaction: • obtaining investment agreements and share certificates for any new investments made during the year; and • obtaining key underlying financial data inputs to investee company management information and independent market data and testing the arithmetic accuracy of the valuation calculations. The Company's accounting policy on fixed asset investments, including the valuation of unquoted investments is set out on note 3(a) to the financial statements and related disclosures are included in note 11). The Audit Committee also identified valuation of unquoted investments as a significant issue its report on pages 28 and 29, where the Committee also explains how it addressed this issue.

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

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £421,000, which is 1% of net assets. This benchmark is considered the most appropriate as, in our view, it is a key driver of the Company's performance.

Materiality for the current year is lower than the level that we determined for the year ended 29 February 2016 to reflect the reduction in net assets compared to the prior year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality. We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £21,050. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

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

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

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

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

Other reporting required by regulations

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

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

Matters on which we are required to report by exception

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

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

Under the Listing Rules, we are required to review:

- the Directors' statements in relation to going concern and longer-term viability, set out on pages 21 and 30; and
- the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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

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

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

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

We have nothing to report in respect of the above.

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

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

Responsibilities for the financial statements and the audit

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

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

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

8 June 2017

Statement of Comprehensive Income

for the year ended 28 February 2017

	Note	Year ended 28 February 2017 Revenue £'000	Capital £'000	Total £'000	Year ended 29 February 2016 Revenue £'000	Capital £'000	Total £'000
Losses/gains on valuation of investments at fair value through profit or loss	11	-	(3,422)	(3,422)	-	(6,191)	(6,191)
Income	4	845	-	845	1,086	-	1,086
Investment Manager's fees	5	(241)	(724)	(965)	(201)	(604)	(805)
Other expenses	6	(513)	(272)	(785)	(538)	(254)	(792)
Return before tax		91	(4,418)	(4,327)	347	(7,049)	(6,702)
Tax	8	(19)	19	-	(70)	70	-
Return for the financial year		72	(4,399)	(4,327)	277	(6,979)	(6,702)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income attributable to equity shareholders		72	(4,399)	(4,327)	277	(6,979)	(6,702)
Return per Share							
Return per H Share	10	(0.62)p	1.37p	0.75p	(0.55)p	(9.29)p	(9.84)p
Return per I Share	10	0.19p	(6.21)p	(6.03)p	0.46p[1]	(8.22)p[1]	(7.76)p

[1] Presentation of the I Share class as at 29 February 2016 to reflect the share conversion as detailed in note 15 on page 51; return per share being the return for the financial year over the weighted average number of shares for the year ended 28 February 2017.

The total column of this statement represents the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits.

The accompanying notes on pages 41 to 56 are an integral part of the financial statements.

Statement of Comprehensive Income

for the year ended 28 February 2017

Unaudited Non-Statutory Analysis between the H and I Share Funds

	Revenue £'000	Capital £'000	H Share Fund Total £'000	Revenue £'000	Capital £'000	I Share Fund Total £'000
Losses/gains on valuation of investments at fair value through profit or loss	-	302	302	-	(3,724)	(3,724)
Income	39	-	39	806	-	806
Investment Manager's fees	(42)	(125)	(167)	(199)	(599)	(798)
Other expenses	(77)	(36)	(113)	(436)	(236)	(672)
Return before tax	(80)	141	61	171	(4,559)	(4,388)
Tax	15	3	18	(34)	16	(18)
Return for the financial year	(65)	144	79	137	(4,543)	(4,406)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income attributable to equity shareholders	(65)	144	79	137	(4,543)	(4,406)
Return per Share	(0.62)p	1.37p	0.75p	0.19p	(6.21)p	(6.03)p

Balance Sheet
as at 29 February 2016

Company Registration No: 05558025 (England and Wales)

	Note	As at 28 February 2017 £'000	As at 29 February 2016 £'000
Fixed assets			
Investments at fair value through profit or loss	3 & 11	40,728	43,240
Current assets			
Debtors	13	110	406
Bank deposits	3	1,233	2,164
Cash at bank		101	2,192
		1,444	**4,762**
Creditors: amounts falling due within one year	14	(105)	(135)
Net current assets		1,339	4,627
Net assets		42,067	47,867
Capital and reserves			
Called up share capital	15	8,363	11,803
Share premium account		2,834	2,834
Special reserve		48,017	49,490
Capital redemption reserve		4,115	675
Capital Reserve		(28,598)	(24,199)
Revenue reserves		7,336	7,264
		42,067	**47,867**
Net asset value per H Share, pence	16	62.05	64.82
Net asset value per I Share, pence	16	48.61	56.15[1]

[1] Presentation of the I Share class as at 29 February 2016 to reflect the share conversion as detailed in note 15 on page 51; net asset value per share being the net asset value over the total number of shares as at 28 February 2017.

The accompanying notes on pages 41 to 56 are an integral part of the financial statements.

The financial statements were authorised for issue by the Directors on 8 June 2017 and signed on their behalf by:

Sir Robin Miller
Director

David Glick
Director

Balance Sheet

for the year ended 2 February 2017

Unaudited Non-Statutory Analysis between the H and I Share Funds

as at 28 February 2017

Company Registration No: 05558025 (England and Wales)

	H Share Fund £'000	I Share Fund £'000
Fixed assets		
Investments at fair value through profit or loss	3,640	37,088
Current assets		
Debtors	867	(757)
Bank deposits	1,233	-
Cash at bank	694	(593)
	2,794	**(1,350)**
Creditors: amounts falling due within one year	96	(201)
Net current assets	2,890	(1,551)
Net assets	6,530	35,537
Capital and reserves		
Called up share capital	1,052	7,311
Share premium account	2,763	71
Special reserve	4,386	43,631
Capital redemption reserve	-	4,115
Realised capital reserve	(1,925)	(13,001)
Unrealised capital reserve	364	(14,036)
Revenue reserves	(110)	7,446
	6,530	**35,537**
Net asset value per H Share, pence	62.05	
Net asset value per I Share, pence		48.61

Statement of Changes in Equity

for the year ended 28 February 2017

	Called up equity share capital £'000	Share premium £'000	Special reserve £'000	Other capital redemption £000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserves £'000	Total £'000
At 1 March 2015	11,698	2,067	56,759	-	675	(17,220)	6,987	60,966
Share issues	105	813	-	-	-	-	-	918
Share issue expenses	-	(46)	-	-	-	-	-	(46)
Dividends paid	-	-	(7,269)	-	-	-	-	(7,269)
Comprehensive income for the year	-	-	-	-	-	(6,979)	277	(6,702)
At 29 February 2016	**11,803**	**2,834**	**49,490**	**-**	**675**	**(24,199)**	**7,264**	**47,867**
Share issues	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-
Dividends paid	-	-	(1,473)	-	-	-	-	(1,473)
Comprehensive income for the year	-	-	-	-	-	(4,399)	72	(4,327)
Cancellation of deferred shares[1]	(3,440)	-	-	3,440	-	-	-	-
At 28 February 2017	**8,363**	**2,834**	**48,017**	**3,440**	**675**	**(28,598)**	**7,336**	**42,067**

[1] reflects the share conversion as detailed in note 15 on page 51.

Distributable reserves comprise: the special reserve; the revenue reserve; and capital reserves attributable to realised profits.

Called up equity share capital represents the nominal value of shares that have been issued. The share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium. The special reserve was created on cancellation of the share premium account in respect of shares issued and is primarily used for the distribution of dividends. The capital redemption reserve maintains the equity share capital of the Company and represents the nominal value of shares repurchased and cancelled. It cannot be used to fund share repurchases and it is not distributable by way of dividend.

All investments are held at fair value through profit or loss. When the Company revalues the investments still held during the period, any gains or losses arising are credited/charged to the capital reserve. When an investment is sold any balance held on the capital reserve (unrealised) is transferred to the capital reserve (realised).

Statement of Cash Flows

for the year ended 28 February 2017

	Note	Year ended 28 February 2017 £'000	£'000	Year ended 29 February 2016 £'000	£'000
Cash flows from operating activities					
Loss for the year		(4,327)		(6,702)	
Adjustments for:					
Realised/Unrealised losses on investments held at fair value through the profit or loss		3,056		6,191	
Accrued income		(397)		220	
(Increase)/decrease in other debtors and prepayments		295		104	
Increase/(decrease) in other creditors and accruals		(32)		(1,072)	
Cash generated from operating activities			(1,405)		(1,259)
Tax paid			-		-
Net cash generated from operating activities			(1,405)		(1,259)
Cash flows from investing activities					
Sales of investments held at fair value		-		-	
Purchases of investments held at fair value		(144)		(720)	
Capitalised deal costs		-		(59)	
Loans repaid		-		6,962	
Net cash from investing activities			(144)		6,183
Cash flows from financing activities					
Issue of ordinary share capital		-		918	
Unpaid share capital paid down		-		-	
Dividends paid		(1,473)		(7,269)	
Share issue expense		-		(46)	
Net cash used in financing activities			(1,473)		(6,397)
Net decrease in cash			(3,022)		(1,473)
Reconciliation of cash and cash equivalents					
(Decrease)/Increase in cash			(3,022)		(1,473)
Opening cash and cash equivalents position			4,356		5,829
Closing cash and cash equivalents position			1,334		4,356
Cash and cash equivalents					
Bank deposits			1,233		2,164
Cash at bank			101		2,192
			1,334		4,356

The accompanying notes on pages 41 to 56 are an integral part of the financial statements.

Notes to the Financial Statements

1. General information

Edge Performance VCT Public Limited Company is a venture capital trust company domiciled in the United Kingdom and incorporated in England in 2005. The address of its registered office is 1 Marylebone High Street, London, W1U 4LZ. The ordinary shares of the Company are listed on the Premium Segment of the London Stock Exchange

Key sources of estimation uncertainty

Many of the Company's financial instruments are measured at fair value in the balance sheet and it is usually possible to determine their fair values within a reasonable range of estimates.

For the majority of the Company's financial instruments, such as unlisted securities, fair value is derived from using valuation techniques, as recommended by International Private Equity and Venture Capital Valuation Guidelines (IPEVC). Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgements (e.g. interest rates, volatility, estimated cash flows) and therefore cannot be determined with precision. 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. Accordingly, the degree of judgement exercised in determining fair value is greatest for investments whose fair value cannot be determined by using observable measures such as market prices or models.

2. Statement of compliance

Basis of Accounting

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'), with the Companies Act 2006 and the 2014 Statement of Recommended Practice ('SORP') 'Financial Statements of Investment Trust Companies and Venture Capital Trusts (revised 2017)'.

The Company is not an investment company as defined by section 833 of the Companies Act 2006. Investment company status was revoked by the Company in September 2007

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

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.

Going Concern

At the time of approving the financial statements, the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have therefore adopted the going concern basis of accounting in preparing the financial statements.

3. Accounting policies

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

a) Fixed asset investments

Purchases or sales of investments are recognised at the date of the transaction.

All investments are valued at fair value by the Company using methodology that is consistent with the International Private Equity and Venture Capital Valuation Guidelines (IPEVC) from time to time.

The Company did not hold any quoted investments at any time during the year under review.

Unquoted investments made within the last twelve months are valued at cost except where there is any material change or event which has a bearing on the value of the investee company (such as, for example, a significant amount of new investment made in the investee company by a third party), in which case an appropriate revaluation is made.

3. Accounting policies (continued)

a) Fixed asset investments (continued)

Subsequently, unquoted investments will be valued by the most recent material arm's-length transaction by an unconnected third party in the shares or other securities of an investee company. In the absence of such a transaction, the investment will be valued as follows:

- Where the investee company is in the early stage of development, the investment will normally continue to be valued at cost.
- Where the investee company is well established after one year from the date of investment, the shares or securities may be valued by applying a suitable price-earnings ratio to that company's historical post-tax earnings or, where more appropriate, to that company's earnings before interest, tax, depreciation and amortisation ("EBITDA"). The ratio used is based on a comparable listed company or sector, where available, but discounted to reflect lack of liquidity in the shares or securities concerned; where no suitable comparable listed company or sector data is available, comparable data from transactions in unquoted shares or securities may be used. Alternative methods of valuation may be applied if they are considered more appropriate, for example: a suitable ratio applied to historic revenues, forecast revenues, forecast post tax earnings, forecast EBITDA or discounted projected cash flows; net asset value.
- Fixed asset loan investments are recognised at their fair value, normally determined on the basis of the expected future cash flows, discounted at the investee company's weighted cost of capital.

The value of portfolio investments at the balance sheet date was derived as follows:

	Valuation (£,000)	2017 Valuation type as % of total value	Valuation (£,000)	2016 Valuation type as % of total value
Net asset value	9,309	22.9%	9,438	21.8%
Price of recent third party transaction	2,955	7.2%	2,449	5.7%
Market multiple	27,320	67.1%	30,353	70.2%
Cost	1,144	2.8%	1,000	2.3%
	40,728	**100.0%**	**43,240**	**100.0%**

In accordance with the 2014 SORP, the revenue return on shares for a fixed amount and debt securities is based on the coupon payable by the instrument adjusted to spread any discount or premium on purchase or redemption over its remaining life. However, where a redemption premium is payable, the return has been adjusted so that the amount recognised in revenue is in line with reasonable commercial expectations. Any adjustment is recognised in capital within net gains and losses on investments. The amount of redemption premium recognised in revenue is in line with reasonable commercial expectations of interest chargeable on similar commercial debt.

Gains and losses arising from changes in the fair value of the investments are included as a capital item in the statement of comprehensive income for the relevant period.

The Company's interests in associates are held as part of an investment portfolio (as defined by FRS 102). They have therefore been treated in the same way as other investee companies and are measured at fair value using a consistent methodology to the rest of the Company's portfolio as permitted by the SORP (paragraph 32).

b) Current asset investments

Investments in interest-bearing deposits are classified as current asset investments as they are investments held for the short term. Income from these investments is recognised using the effective interest method.

c) Income

Interest income on loan stock and dividends on preference shares are accrued on a daily basis. Provision is made against this income where recovery is doubtful. Where the terms of unquoted loan stocks only require interest or redemption premium to be paid on redemption, the interest and redemption premium is recognised once redemption is reasonably certain.

Dividends receivable on listed equity shares are recognised on the ex-dividend date.

d) Expenses

All expenses (inclusive of VAT where appropriate) are accounted for on an accruals basis. Expenses are charged wholly to revenue, with the exception of expenses incidental to the acquisition or disposal of an investment and with the exception that 75% of the fees payable to the Investment Manager are charged against capital. Other administrative fees and expenses are allocated based on the net asset value of each Share Fund.

Direct issue costs are deducted from the share premium account.

e) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

f) 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.

Financial instruments are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

3. Accounting policies (continued)

g) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

h) Taxation

Corporation tax payable is applied to profits chargeable to corporation tax, if any, at the current rate. The tax effect of difference 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.

i) Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the Financial Statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Unrelieved tax losses and other 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.

Due to the Company's status as a Venture Capital Trust, and the intention to continue meeting the conditions required to retain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

4. Income

	2017 £'000	2016 £'000
Interest receivable		
- from cash and interest-bearing deposits	17	64
- from fixed asset investment loan notes	828	1,022
	845	**1,086**

5. Investment Manager's fees

	2017 £'000	2016 £'000
Edge Investments – annual management fee	965	805

The Company entered into an agreement dated 3 February 2006 with the Investment Manager, which has responsibility for the management of the Company's portfolio of investments. The agreement has been replaced with a new agreement on a number of successive occasions, most recently on 8 November 2013 (with effect from 1 March 2014). Under the terms of the agreement entered into on 8 November 2013, the Investment Manager was appointed for an initial period ending on 11 April 2018 (11 April 2019 in respect only of the H Share Fund), and continuing thereafter until terminated by either the Company or the Investment Manager, by giving no less than 12 months' notice.

Management fees

The Investment Manager will receive: (a) an annual management fee of 1.75% of the net asset value attributable to the I Shares plus VAT (if applicable), (b) an annual management fee of 2.25% of the net asset value attributable to the H Shares plus VAT (if applicable), and (c) a performance fee which is outlined in more detail below.

The Investment Manager will be responsible for external costs, such as legal and accounting fees, incurred on all transactions that do not proceed to completion. The Investment Manager retains the right to charge arrangement, monitoring, syndication, exit and directors' fees to the businesses in which the Company invests. Such charges are in line with industry practice and typically amount to between 1% and 3% of the amount of each investment plus VAT (if applicable). The Investment Manager will normally nominate one of its directors to act as a director of each company.

Annual running costs of the Company will include, inter alia, the management fees described above (excluding the performance fee), Directors' remuneration, company secretarial and accounting fees, audit, taxation advice, sponsor's and registrar's fees and the costs of communicating with the shareholders. Total annual running costs of the Company (excluding the Investment Manager's performance incentive fee, trail commission, irrecoverable VAT and costs of any significant corporate activity) have been capped at 3.75% of the net asset value of the Company with any excess being borne by the Investment Manager.

Performance related incentive fee

In respect of each class of Shares separately (save the H Shares), once total paid or declared dividends have reached £1.00 per I Share all further amounts which, in the opinion of the Board are available to be distributed as dividends, will be paid as to 80% as a dividend to I shareholders, and 19% to the Investment Manager by way of performance fee. Once total paid or declared dividends have reached £1.20 per I Share all further amounts which, in the opinion of the Board are available to be distributed as dividends, will be paid as to 70% as a dividend to I shareholders, and 29% to the Investment Manager by way of performance fee. In August 2016, the above performance fee structure was removed by the Board.

In respect of the H Shares, once and for so long as cumulative dividends paid or declared equal or exceed an average of 7p per H Share per annum, the Investment Manager will receive a performance fee equal to 19% of the net asset value per H Share in excess of £1.00. Once and for so long as cumulative dividends paid or declared equal or exceed an average of 14p per H Share per annum, the Investment Manager will receive a performance fee equal to 29% of the net asset value per H Share in excess of £1.00. That calculation will be made on a six-monthly basis, by reference to the Company's published annual report and financial statements and the Company's published half-yearly financial statements.

The performance fees described above are to be paid in cash and can be assigned by the Investment Manager to some or all the investment team.

6. Other expenses

	2017 £'000	2016 £'000
Directors' remuneration (including VAT & NI)	69	82
Company secretarial & accountancy fees	86	98
Administration fees (payable to the Investment Manager)	301	285
Audit fees – for audit services	78	44
VCT status adviser fees	13	5
Printing & stationery	42	36
Other costs	92	145
Irrecoverable VAT	104	97
	785	**792**

The Company has no employees.

7. Directors' fees

Amounts paid and payable to third parties for the services of (net of VAT & NI):

	2017 £'000	2016 £'000
Frank Presland *	-	14.0
Sir Robin Miller	20.0	20.0
David Glick	15.0	15.0
Kevin Falconer	17.5	17.5
Lord Flight	15.0	15.0
	67.5	**81.5**

* Frank Presland retired from the Board on 5 February 2016.

No pension scheme contributions or other retirement benefit contributions were paid. There are no share option contracts held by the Directors. Since all the fee-earning Directors are non-executive, the other disclosures required by the Listing Rules are not relevant.

8. Tax on ordinary activities

a) Analysis of tax charge

	2017 £'000	2016 £'000
Revenue charge	19	70
Credited to capital return	(19)	(70)
Current and total tax charge (note (b))	-	-
Prior year tax	-	-
Total current and prior year tax	-	-

b) Factors affecting tax charge for the year

Total return on ordinary activities before tax	(4,327)	(6,702)
Total return on ordinary activities before tax multiplied by standard rate of corporation tax of 20.00% (2016: 20.00%)	(865)	(1,341)
Effects of:		
Less: non-taxable income	-	-
Add: unrealised losses/(gains)	164	825
Add: non-taxable realised losses/(gains)	520	414
Relieved/unrelieved expenses	181	102
Tax charge for year (note (a))	-	-

Tax relief relating to investment management fees is allocated between revenue and capital where such relief can be utilised.

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 (2016: nil). Deferred tax liabilities where material are recognised using the enacted rate of 17% (2016: 18%) as timing differences are not expected to reverse until subsequent to this change of tax rate. There is an unrecognised deferred tax asset of £332,881 (2016: £190,142) based on losses carried forward of £1,958,126.

Finance Act 2016 as substantively enacted on 15 September 2016 provides that the headline rate of corporation tax for the Financial Year commencing 1 April 2017 will be 19% and that the rate from 1 April 2020 will be 17%.

9. Dividends paid and proposed

	2017 £'000	2016 £'000
Amounts recognised as distributions to equity holders in the year	1,473	7,269

During the year ended 28 February 2017, and prior to the conversion as detailed in note 15 on page 51, the Directors approved interim dividends of 3.5p per H Share and 7.0p per I Share which had record and payment dates of 22 July 2016 and 12 August 2016 respectively.

The Directors also approved interim dividends of 7.0p per G share and 7.0p per I share, based on the original share class holdings prior to the conversion as detailed in note 15 on page 51. The record and payments dates for the dividends were 26 August 2016 and 7 April 2017 respectively.

The Directors do not recommend any payment of final dividends in respect of the year ended 28 February 2017.

The total dividend payable in respect of the financial year is set out below.

	2017 £'000	2016 £'000
Interim dividend – nil per F Share (2016: 14p)	-	4,113**
Interim dividend – 7p per G Share (2016: nil)	1,683*	-
Interim dividend – 3.5p per H Share (2016: nil)	369	-
Interim dividend – 14p per I Share (2016: nil)	2,208*	-
Totals	**4,260**	**4,113**

* reflects the interim dividend of 7p per I share, which had record and payment dates of 22 July 2016 and 12 August 2016 respectively; and the interim dividends declared on 18 August 2016 of 7p per share, payable to G & I shareholders as shown in the Company's register of members at the close of business on 26 August 2016.

** reflects the interim dividend declared during the year ended 29 February 2016, which had respective record and payment dates of 20 November 2015 and 27 November 2015.

10. Return per Share

	Revenue	Capital	2017 Total	Revenue	Capital	2016 Total
Return per H Share	(0.62)p	1.37p	0.75p	(0.55)p	(9.29)p	(9.84)p
Return per I Share	0.19p	(6.21)p	(6.03)p	0.46p*	(8.22)p*	(7.76)p

*Presentation of the I Share class as at 29 February 2016 to reflect the share conversion as detailed in note 15 on page 51.

The return per share for 2016, as disclosed in the Annual Report and Financial Statements as at 29 February 2016, is set out below:

	Revenue	Capital	2016 Total
Return per C Share	(0.07)p	(3.36)p	(3.43)p
Return per D Share	0.07p	(4.87)p	(4.80)p
Return per E Share	0.04p	(5.02)p	(4.98)p
Return per F Share	0.28p	(5.18)p	(4.90)p
Return per G Share	0.92p	(6.45)p	(5.53)p
Return per H Share	(0.55)p	(9.29)p	(9.84)p
Return per I Share	0.13p	(7.59)p	(7.46)p

The figures above do not reflect the share conversion as detailed in note 15 on page 51 and are for reference purposes only.

10. Return per Share (continued)

Basic revenue return per H Share is based on the net loss after taxation of £65,181 (2016: loss of £60,737) and on 10,522,984 (2016: 10,425,973) H Shares, being the weighted average number of Shares in issue during the period from 1 March 2016 to 28 February 2017. Basic capital return per H Share is based on the net capital gain after taxation of £144,546 (2016: loss of £968,419) and on 10,522,984 (2016: 10,425,973) H Shares, being the weighted average number of Shares in issue during the period from 1 March 2016 to 28 February 2017. The weighted average number of shares is the number of shares at the beginning of the period, adjusted by the number of shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period. As a result of 1,048,667 H shares being issued in the year ended 29 February 2016, the weighted average number of shares amounted to 10,425,973 for the year ended 29 February 2016. There have been no further issue of H shares and thus the weighted average number of shares for the year ended 28 February 2017 represents the total number of shares issued as at 28 February 2017.

Basic revenue return per I Share is based on the net gain after taxation of £137,226 (2016: profit of £339,845*) and on 73,103,650 (2016: 73,103,650) I Shares, being the weighted average number of I Shares in issue during the period from 1 March 2016 to 28 February 2017. Basic capital return per I Share is based on the net capital loss after taxation of £4,543,457 (2016: loss of £6,012,133*) and on 73,103,650 (2016: 73,103,650) I Shares, being the weighted average number of I Shares in issue during the period from 1 March 2016 to 28 February 2017. As a result of the conversion, as detailed in note 15 on page 51, the weighted average number of shares, as outlined above, is adjusted for the reduction in the number of ordinary shares from the date the conversion is recognised. The weighted average number of shares therefore for the I class shares represents the total number of shares issued as at 28 February 2017 for both the year ended 29 February 2016 and 28 February 2017.

11. Investments

Movements in investments during the year are summarised as follows:

	Venture capital Level c (ii) - unquoted £'000
Book cost at 29 February 2016	47,537
Unrealised gains, capitalised interest and accrued interest at 28 February 2015	(4,297)
Valuation at 29 February 2016	43,240
Movements in the year:	
- Purchases at cost	144
- Disposals – proceeds	-
- Net realised gains/(losses)	(2,602)
- Accrued interest	767
- Accrued interest repaid	
Movement in unrealised gains/(losses)	(821)
Valuation at 28 February 2017	**40,728**
Comprising:	
- Book cost at 28 February 2017	44,583
- Unrealised gains and accrued interest at 28 February 2017	(3,855)
Valuation at 28 February 2017	**40,728**

The net realised losses of £2.6m relates to the write-down of the investment in Mirriad Limited. This diminution in value does not affect the NAV of the Company as it was a historic write down that is now permanent and hence only a reserve transfer has taken place.

Movements in investments during the year ended 29 February 2016 are summarised as follows:

	Venture capital Level c (ii) - unquoted £'000
Book cost at 28 February 2015	57,341
Unrealised gains, capitalised interest and accrued interest at 28 February 2014	(2,661)
Valuation at 28 February 2015	54,680
Movements in the year:	
- Purchases at cost	779
- Disposals – proceeds	(6,962)
- Net realised gains/(losses)	(1,790)
- Reclassified from trade debtors	1,153
- Accrued interest	1,089
- Accrued Interest repaid	(1,308)
Movement in unrealised gains/(losses)	(4,401)
Valuation at 29 February 2016	**43,240**
Comprising:	
- Book cost at 29 February 2016	47,537
- Unrealised losses and accrued interest at 28 February 2015	(4,297)
Valuation at 29 February 2016	**43,240**

Reconciliation of losses on valuation of investments at fair value through profit or loss:

	2017 £'000	2016 £'000
Net realised losses	(2,602)	(1,790)
Net unrealised losses	(820)	(4,401)
	(3,422)	**(6,191)**

During the year, the Company incurred disposal transaction costs of £nil (2016: £nil). The Company also incurred acquisition transaction costs of £nil (2016: £58,879)

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 the following fair value measurement hierarchy:

Quoted market prices in active markets – "Level a"

Level a: quoted prices in active markets for an identical asset. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the current bid price. These instruments are included in level a and comprise interest-bearing deposits classified as held at fair value through profit or loss. See note 17.

11. Investments (continued)

Valued using models with significant observable market parameters – "Level b"

Level b: where quoted prices are not available, the price of a recent transaction for an identical asset, providing there has been no significant change in economic circumstances or a significant lapse in time since the transaction took place. The Company holds no such investments.

Valued using models with observable parameters – "Level c (i)"

Level c(i): fair values are observable inputs that are not traded in an active market. The fair value is determined by using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all the inputs required to fair value an instrument are observable, the instrument is included in level c (i). The Company has no investments classified in this category.

Valued using models with significant unobservable parameters – "Level c (ii)"

Level c(ii): fair values are not traded in an active market and the fair value is determined by using valuation techniques such as recent third party transactions or earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level c (ii). The Company's fixed asset investments all fall into this category.

There have been no transfers between these classifications in the year (2016: none). The change in fair value for the current and previous year is recognised through the statement of comprehensive income.

12. Significant interests

As at 28 February 2017, the Company held significant investments, amounting to 3% or more of the equity capital, in the following companies:

Company	Equity investment (ordinary shares) £	Equity investment (preference shares) £	of investee company's total equity, (voting rights) %
Alchemy Live Limited	700,000	-	49.97
Axis Live Entertainment Limited	700,000	-	49.97
Black Sheep Music Limited	300,000	-	49.95
Coolabi Group Limited	5,881,663	8,107,349	50.00
deltaDNA Limited	1,000,000	-	12.50
Done & Dusted Live Limited	525,000	-	49.97
E7 Live Limited	300,000	-	49.97
Grove Music Limited	300,000	-	50.00
Handmade Mobile Entertainment Limited	600,000	1,400,000	13.10
Intent HQ Holdings Limited	6,709,011	-	14.90
La Cage Productions Limited	300,000	-	49.97
Lean Forward Limited	500,000	-	4.15
MM Promotions Limited	300,000	-	49.97
Ramble On Limited	300,000	-	49.97
Real Gone Gigs Limited	700,000	-	49.97
SEL Live Entertainment Limited	700,000	-	49.97
Two Bridges Live Limited	300,000	-	49.97
UltraNation Limited	300,000	-	49.97

13. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Accrued interest and other accrued income	-	-
Amounts due from the Investment Manager	64	316
Prepayments and other debtors	46	90
	110	**406**

14. Creditors: Amounts Falling Due Within One Year

	2017 £'000	2016 £'000
Other creditors and accruals	105	135
	105	**135**

15. Called-up Share Capital

Allotted, called-up and fully paid:

		Number of shares	
As at 28 February:	H Shares	I Shares	Total Shares
Brought forward	10,522,984	15,766,414*	26,289,398
Ordinary shares resulting from conversion in the year	-	57,337,236	57,337,236
Carried forward	10,522,984	73,103,650	83,626,634

		Nominal value £'000	
As at 28 February:	H Shares	I Shares	Total Shares
Brought forward	1,052	1,577*	2,629
Ordinary shares resulting from conversion in the year	-	5,734	5,734
Carried forward	1,052	7,311	8,363

*reflects purely the I Share class capital, prior to the share conversion as detailed in note15 on page 51.

All issued shares have a nominal value of 10p each. At the balance sheet date, 11,000 D shares remained allotted, called-up and unpaid at a value of £11,000 and 30,000 F shares remained allotted, called-up and unpaid at a value of £30,000.

On 19 August 2016, the Company announced that the Board had resolved to invoke the provisions of the Company's articles of association regarding conversion of shares, such that all C Shares, D Shares, E Shares, F Shares and G Shares in the capital of the Company would be converted to I Shares on 16 September 2016, such conversion to be calculated by reference to the net asset value per share of each relevant share class as at 19 August 2016 and the shareholdings reflected on the register of members of the Company as at close of business on 26 August 2016 (the "Conversion").

15. Called-up Share Capital (continued)

The Conversion took place on 16 September 2016, as a consequence of which all C Shares, D Shares, E Shares, F Shares and G Shares were converted to I Shares and deferred shares as follows:

Share class	Number of shares prior to conversion	Number of I Shares following conversion	Number of deferred shares following conversion
C	9,330,098	804,063	8,526,035
D	19,172,500	9,376,860	9,795,640
E	9,801,952	6,140,817	3,661,135
F	29,379,532	20,226,139	9,153,393
G	24,056,803	20,789,357	3,267,446
Totals	**91,740,885**	**57,337,236**	**34,403,649**

In accordance with the Company's articles of association, the 34,403,649 deferred shares referred to above were repurchased for an aggregate consideration of 1 penny for every 1,000,000 deferred shares by the Company immediately following the Conversion and subsequently cancelled.

The share capital for 2016, as disclosed in the Annual Report and Financial Statements as at 29 February 2016, is set out below.

	Number of Shares						
As at 29 February:	C Shares	D Shares	E Shares	F Shares	G Shares	H Shares	I Shares
Brought forward	9,330,098	19,172,500	9,801,952	29,379,532	24,056,803	9,474,517	15,766,414
Ordinary shares issued in the year	-	-	-	-	-	1,048,667	-
Carried forward	9,330,098	19,172,500	9,801,952	29,379,532	24,056,803	10,523,184	15,766,414

	Nominal value £'000						
As at 29 February:	C Shares	D Shares	E Shares	F Shares	G Shares	H Shares	I Shares
Brought forward	933	1,917	980	2,938	2,406	947	1,577
Ordinary shares issued in the year	-	-	-	-	-	105	-
Carried forward	933	1,917	980	2,938	2,406	1,052	1,577

The figures above do not reflect the share conversion as detailed in note 15 on page 51 and are for reference purposes only.

16. Net asset value per Share

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

	2017 Net asset values attributable		2016 Net asset values attributable	
	Net assets	Net assets per Share	Net assets	Net assets per Share
H Shares	£6.5m	62.05p	£6.8m	64.82p
I Shares	£35.5m	48.61p	£41.0m[1]	56.15p[1]

[1] Presentation of the I Share class as at 29 February 2016 to reflect the share conversion as detailed in note 15 on page 51; net asset value per I share being the net asset value over the total number of shares as at 28 February 2017.

Net asset value per Share is based on net assets at the year end and on the number of shares in each class in issue at the year end, as shown in note 10.

The net asset value per share for 2016 is set out below.

	2016 Net asset values attributable	
	Net assets	Net assets per Share
C Shares	£0.4m	4.35p
D Shares	£4.7m	24.75p
E Shares	£3.1m	31.77p
F Shares	£10.3m	34.95p
G Shares	£12.3m	50.96p
H Shares	6.8m	64.82p
I Shares	£10.3m	65.03p

The figures above do not reflect the share conversion as detailed in note 15 on page 51 and are for reference purposes only

17. Financial instruments

The Company's principal financial instruments comprise:

- Equity and loan stock
- Cash balances and liquid resources

Investments are made in a combination of equity and loans. Surplus funds are held in a mix of current accounts and interest-bearing deposit accounts. It is not the Company's policy to trade in financial instruments or derivatives.

Fixed asset investments are valued at fair value as detailed in note 3a.

The Company held the following categories of financial instruments at 28 February 2017:

	2017 (Cost) £'000	2017 (Fair value) £'000	2016 (Cost) £'000	2016 (Fair value) £'000
Assets at fair value through profit or loss	45,083	40,728	47,543	43,243
Cash and cash equivalents	1,334	1,334	4,356	4,356
Totals	**46,417**	**42,062**	**51,899**	**47,599**

Unquoted investments account for 100% of the investment portfolio (2016: 100%). The investment portfolio has a 100% concentration of risk towards small UK-based, sterling denominated companies and represents 96% (2016: 90%) of net assets at the year end.

Current asset investments are interest-bearing deposits which represent 2.9% (2016: 12.2%) of net assets at the year end.

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

Credit risk

Credit risk is the risk that a counterparty will default on its obligation, resulting to a financial loss to the Company. The Investment Manager monitors credit risk on an ongoing basis. The carrying amounts of financial assets represent the maximum credit risk exposure at the balance sheet date.

17. Financial instruments (continued)

At 28 February 2017, the Company's financial assets exposed to credit risk amounted to the following:

	2017 £'000	2016 £'000
Investments in fixed rate instruments	5,103	5,103
Investments in floating rate instruments	11,775	11,775
Interest-bearing deposits	1,233	2,164
Cash at bank	101	2,192
Interest, dividends and other receivables	113	405

Credit risk on unquoted loan stock held within unlisted investments are considered in conjunction with the associated equity investment in the portfolio and considered to be part of market price risk as disclosed later in this note. It is estimated that if 10% of the Company's interest income for the year were not received, this would increase the loss before tax for the year of £6.7 million to a loss before tax for the year of £6.8 million.

The cash at bank and interest-bearing deposits held by the Company are managed by UBS and Metro Bank. The Board monitors the Company's risk by reviewing the internal control reports of these banks. Should the credit quality or the financial position of the bank deteriorate significantly, the Investment Manager will seek to move the cash holdings to another bank.

At 28 February 2017, all loans were held at fair value. No loan is past its repayment date; nor is any interest past its payment date.

Market price risk

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

The equity and fixed interest stocks of the Company's unquoted investee companies are very seldom traded and, as such, their prices are more uncertain than those of more frequently traded stocks. It is estimated that a 10% fall in the carrying value of the Company's unquoted investments would increase the loss before tax for the year by £4.1 million and reduce the Company's net assets by the same amount.

Interest rate risk

Some of the Company's financial assets are interest-bearing, some of which are at fixed rates and some at 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. However, the effect of those interest rate changes is not materially significant.

Fixed rate

Due to the complexity of the instruments and the uncertainty surrounding time of realisation, the weighted average time for which the rate is fixed has not been calculated.

	£000	2017 Weighted average interest rate	£000	2016 Weighted average interest rate
Loan stock	5,103	6%	5,103	6%

Floating rate

The Company holds the majority of its cash balances in interest-bearing deposit accounts. The benchmark rate which determines the interest payments received on interest-bearing cash and cash equivalent balances is the bank base rate which was 0.25 per cent at 28 February 2017 (2016: 0.5 per cent).

	2017 £'000	2016 £'000
Short term loans and security deposits	2,268	2,268
Loan notes	1,400	1,400
Preference shares	8,107	8,107
Interest-bearing deposits	1,233	2,164
Cash at bank	101	2,192

The weighted average interest rate applied during the year was 4.2 per cent (2016: 3.6 per cent).

Liquidity risk

The investments in equity and fixed interest stocks of unquoted companies which 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. The Company invests its surplus funds in high quality interest-bearing deposits which are all accessible on an immediate basis.

It is estimated that should the Company have to sell 10% of its investments at only 90% of their carrying values in order to find a buyer, additional losses totalling £3.7 million would have to be recognised. Had this happened during the year to 28 February 2017, the loss before tax for the year of £4.3 million would have increased to a loss before tax for the year of £8.0 million. Liquidity risk is mitigated by the Company's intention to complete its investment strategy and sell investments at planned intervals rather than as a matter of necessity.

Management of capital

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

18. Post Balance Sheet Events

After the end of the year under review, the Company invested £500,000 from the H Share Fund in a new portfolio company, AudioBoom Group plc.

19. Geographical Analysis

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

20. Contingencies, Guarantees and Financial Commitments

Under the terms of the Investment Management agreement between the Company and the Investment Manager, where the total expense ratio of the Fund exceeds a costs cap of 3.75% of the net assets of the Company, the Investment Manager will reduce its annual management fee by the sum of the excess costs above 3.75%. It may be entitled to recover this amount at a later date should the costs cap permit.

There were no other contingencies or guarantees as at 28 February 2017.

21. Capital Commitments

The Company had not entered into any capital commitments at year end.

22. Transactions with the Investment Manager

During the year ended 28 February 2017, the Company incurred investment management and administration fees of £1,265,433 (2016: £1,090,878) (exclusive of VAT) payable to the Investment Manager, as a related party. This sum comprised:

- investment management fees of £963,676 (2016: £805,687) after rebate of (£91,900) (2016: £315,800)
- administration fees of £301,757 (2016: £285,191).

The total expense ratio, calculated as the year's expenses (as disclosed in the statement of comprehensive income and accounting for the exclusions noted below) divided by the closing net asset value for the year, was 3.5%. Under the terms of the investment management agreement, the running costs of the Company (excluding the Investment Manager's performance related incentive fee, trail commission, irrecoverable VAT and costs of any significant corporate activity) are restricted to a maximum of 3.75% of the net asset value of the Company. Any excess will be paid by the Investment Manager. During the year ended 28 February 2017, the Investment Manager recovered £91,900 of the £315,800 excess repaid in respect of the year ended 29 February 2016.

Details of the Investment Manager's fee arrangements are given in note 5.

During the year, the Investment Manager also derived the following benefits from its relationship with the Company;

- Investee company arrangement and consulting fees of £1,650 (2016: £7,500)
- Investee company director and monitoring fees of £127,100 (2016: £267,500)

Corporate Information

Directors

Sir Robin Miller (Chairman)
David Glick
Kevin Falconer
Lord Flight

all of
1 Marylebone High Street
London W1U 4LZ
which is the registered office of the Company

Investment Manager

Edge Investments Limited
1 Marylebone High Street
London W1U 4LZ

(authorised and regulated by
the Financial Conduct Authority;
firm reference number 455446)

Company Secretary

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

Taxation advisers

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

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Bankers

Metro Bank Plc
One Southampton Row
London WC1B 5HA

Receiving Agent & Registrar

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

Broker

Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

EDGE PERFORMANCE VCT PUBLIC LIMITED COMPANY
1 MARYLEBONE HIGH STREET
LONDON
W1U 4LZ

WWW.EDGE.UK.COM