

# Annual Report and Accounts

for the year ended 30 September 2015

UNICORN  
AIM VCT PLC



# Investment Objective and Policy

## Investment Objective

The Company's objective is to provide Shareholders with an attractive return from a diversified portfolio of investments, predominantly in the shares of AIM quoted companies, by maintaining a steady flow of dividend distributions to Shareholders from the income as well as capital gains generated by the portfolio.

It is also the objective that the Company should continue to qualify as a Venture Capital Trust, so that Shareholders benefit from the taxation advantages that this brings. To achieve this at least 70% of the Company's total assets are to be invested in qualifying investments of which 30% by VCT value (70% for funds raised after 6 April 2011) must be in ordinary shares which carry no preferential rights (save as permitted under VCT rules) to dividends or return of capital and no rights to redemption.

## Investment Policy

In order to achieve the Company's investment objective, the Board has agreed an investment policy which requires the Investment Manager to identify and invest in a diversified portfolio, predominantly of VCT qualifying companies quoted on AIM that display a majority of the following characteristics:

- experienced and well-motivated management;
- products and services supplying growing markets;
- sound operational and financial controls; and
- good cash generation to finance ongoing development allied with a progressive dividend policy.

Asset allocation and risk diversification policies, including maximum exposures, are to an extent governed by prevailing VCT legislation. No single holding may represent more than 15% (by VCT value) of the Company's total investments and cash, at the date of investment.

There are a number of VCT conditions which need to be met by the Company which may change from time to time. The Investment Manager will seek to make qualifying investments in accordance with such requirements.

## Asset mix

Where capital is available for investment while awaiting suitable VCT qualifying opportunities, or is in excess of the 70% VCT qualification threshold, it may be held in cash or invested in money market funds, collective investment vehicles or non-qualifying shares and securities of quoted and unquoted companies registered in the UK.

## Borrowing

To date the Company has operated without recourse to borrowing. The Board may however consider the possibility of introducing modest levels of gearing up to a maximum of 10% of the adjusted capital and reserves, should circumstances suggest that such action is in the interests of Shareholders.

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# Financial Highlights

for the year ended 30 September 2015

- Offer for Subscription raised £24.0 million.
- Net asset value ("NAV") total return for the year ended 30 September 2015 was 12.5%.
- Dividend of 6.25p proposed.

## Fund Performance

Ordinary Shares	Total assets (£m)	Net asset value per share (NAV) (p)	Cumulative dividends* paid per share (p)**	Net asset value plus cumulative dividends paid per share (p)**	Share price (p)
30th September 2015	124.6	155.6	26.0	181.6	137.0
31st March 2015	99.1	137.0	26.0	163.0	123.0
30th September 2014	92.2	143.7	20.0	163.7	130.0
31st March 2014	86.3	142.8	20.0	162.8	123.5

\* The Board has recommended a dividend of 6.25p per share for the year ended 30 September 2015. If approved by Shareholders, this payment will bring total dividends paid since the merger with Unicorn AIM VCT II plc on 9 March 2010 to 32.25p.

\*\* Since the merger of the Company with Unicorn AIM VCT II plc on 9 March 2010 and merger of all former share classes.

## Portfolio Summary

### Allocation of qualifying investments by market sector

	As at 30 September 2015	As at 30 September 2014
	%	%
Software & computer services	23.6	23.5
Pharmaceutical & biotechnology	22.8	22.0
Financial services	10.8	6.7
Travel & leisure	8.4	4.4
Food & drug retailers	6.7	7.0
Aerospace & defence	5.7	4.0
Media	4.6	6.1
Healthcare equipment & services	3.2	3.5
Industrial engineering	3.1	8.3
Real estate investment & services	2.8	2.1
Support services	2.7	4.0
Retail	2.4	3.1
Industrial transportation	1.7	2.2
Chemicals	0.7	1.8
Electronic & electrical equipment	0.4	0.6
Household goods & home construction	0.3	0.5
Technology hardware & equipment	0.1	0.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

# Chairman's Statement

I am pleased to present the fourteenth Annual Report of the Company for the financial year ended 30 September 2015.

## Economic Review

The UK economy has been experiencing steady, if unspectacular, growth for some time now. In the three months to 30 September 2015, the economy expanded by 0.5%, marking eleven consecutive quarters of economic growth. In recent quarters, this improvement has largely been driven by an increase in business investment and exports as management teams have become more confident about the prospects for their businesses. The UK's dominant services sector, however, which accounts for almost 80% of total Gross Domestic Product, expanded at its weakest pace in nearly two and a half years in September, suggesting that Britain's economic recovery may be losing steam. Economic slowdown in China, coupled with uncertainty over the prospects for many emerging markets and pedestrian recovery in the Eurozone may be leading to businesses deferring investment decisions.

If the current deceleration in the rate of UK economic growth persists, then expansion in the final quarter is likely to fall to its weakest since the final three months of 2012, when the economy contracted by 0.1%.

Despite this recent, and hopefully short term, slowdown, there is nonetheless good reason for optimism when it comes to the majority of businesses in which the Company holds stakes. Many of the smaller companies in the portfolio continue to experience growth in demand for the specialised products or services they provide. As a result, they have been able to deliver healthy and sustained growth in earnings, which, in turn, has been reflected in positive share price development. It is therefore pleasing to be able to report on another successful year for the Company.

## Investment Performance Review

The performance during the year is shown in the Strategic Report on page 5. The twelve months ended 30 September 2015 marks the sixth consecutive financial year of positive total returns for Shareholders. Relative performance has again been strong, with the Company outperforming the FTSE All-Share Index and the FTSE AIM All-Share Index on a total return basis, by 14.8% and 14.6% respectively. Capital returns from the portfolio have again been positive, reflecting the improving financial and operational health of many of the portfolio's investee companies.

By the end of the financial year under review, the audited net assets of the Company had risen by more than a third to £124.6 million, which compared to £92.2 million of net assets recorded at the end of the previous financial year. This significant growth in total net assets was partly due to continued strong performance from the investment portfolio, but was also helped by a well-supported Offer for Subscription, which raised a total of £24.0 million during the period. I would like to take this opportunity to welcome all new Shareholders and to thank existing Shareholders for their continued support.

As at the financial year end, approximately 80% of the companies held in the portfolio are expected to be profitable. The majority of these businesses also continue to generate

cash in excess of that required to fund their future growth plans and are consequently in an increasingly strong position to maintain, and potentially grow, dividend payments. During the period under review dividends were paid, or proposed, by 42 of the 72 companies held in the portfolio. Income received from underlying investments grew strongly from £1.2 million in the financial year ended 30 September 2014 to £1.9 million in the period under review.

## Portfolio Activity

The twelve months ended 30 September 2015 saw increased levels of investment activity. In total, almost £20 million was invested in qualifying and non-qualifying investments. The Manager's selective approach to new investment has, however, been maintained, with just four new VCT qualifying companies being introduced to the portfolio. The total cost of these VCT qualifying investments was approximately £4.3 million. Although still early days, it is pleasing to report that, in aggregate, these investments have delivered a strong contribution to overall performance, generating an unrealised capital gain on investment cost of over 20% in the period.

In addition to investing in new VCT qualifying companies, the Manager also provided further VCT qualifying capital, totalling over £4 million, to eight companies already held in the portfolio.

Non-qualifying investments amounting to £11.0 million were made in a number of new and existing holdings.

Three investee companies received bid approaches during the year under review. While two of these holdings were sold for cash, new shares in the acquiring company were accepted for the third. In addition, one non-qualifying investment was sold outright and partial disposals were made in a number of both qualifying and non-qualifying investments. Cash proceeds from disposals amounted to £2.9 million, resulting in an overall realised capital profit of £0.5 million.

A detailed report on the performance of both the qualifying and the non-qualifying investments is contained in the Investment Manager's Review on pages 11 to 17. In addition, I refer you to the Board's Strategic Report which can be found on pages 4 to 10.

## VCT Status

In aggregate, the percentage of the Company's total assets remains above that required by HMRC in order to retain VCT status. As at 30 September 2015, approximately 73% of the Company's total assets (valued in accordance with VCT rules) were invested in VCT qualifying companies. Excluding new capital raised in Offers for Subscription within the last three years, the VCT qualifying percentage rises to 84%. The Board continues to monitor this figure closely. All other HM Revenue & Customs ("HMRC") tests have been met and PriceWaterhouseCoopers LLP ("PwC") has confirmed to the Board that the Company continues to maintain its Venture Capital Trust status.

## VCT Legislation

VCT legislation continues to evolve. The 2015 Finance Bills which recently received Royal Assent includes changes to VCT qualifying rules. These changes are designed to ensure that

VCTs meet stricter State Aid funding rules being imposed by the European Union ("EU"). The legislation is complex and involves various amendments to existing rules as well as the introduction of new rules. The main purpose of the changes appears to be to ensure that State Aid investment is focused on supporting companies in the earlier stages of their development. The key new criteria include a restriction on the age of companies that can be considered eligible for State Aid investment, an absolute limit to the total amount of State Aid investment that a company can receive and a new rule designed to prevent investee companies from using the proceeds of State Aid funding to acquire (or acquire shares in) other companies.

The new legislation presents a number of challenges to the VCT sector as a whole. Your Manager, however, is confident of being able to operate within the confines of these new rules and has a long and successful track record of adapting to previous rule changes.

### Dividends

The final dividend of six pence per share, for the financial year ended 30 September 2014, was paid to Shareholders on 20 February 2015. Dividends are tax free to qualifying UK Shareholders and represented a yield of 4.2% based on the NAV of 143.7 pence per share as at 30 September 2014.

The Board has considered the payment of a final dividend for the financial year ended 30 September 2015, and is recommending a final dividend of 6.25 pence per share (income: 1.0 pence; capital: 5.25 pence) payable on 19 February 2016 to Shareholders on the register on 29 January 2016.

### Proposed Acquisition of Assets

Your Board was pleased to announce on 15 July 2015 that, subject to HMRC and regulatory approvals, it had reached agreement in principle with the board of Rensburg AIM VCT plc ("Rensburg") to acquire the assets of Rensburg pursuant to a scheme of reconstruction following completion of a tender offer in which Rensburg intends to offer its shareholders the opportunity to buy back their shares for cash up to a value of £5 million.

The Scheme will involve Rensburg being placed into members' voluntary liquidation and the transfer of its assets and liabilities, in consideration for new ordinary shares in the Company being issued directly to Rensburg shareholders.

Our Manager has agreed to pay the costs incurred by the Company in relation to the Scheme.

The Shareholders of Rensburg voted in favour of the Scheme on 27 November 2015 and tender offers have been received totalling approximately £3.0 million. The Net Asset Value of Rensburg following the Tender Offer is expected to be approximately £12 million. Rensburg is a VCT with the majority of its qualifying investments being in AIM companies, some of which the Company already holds as an investment. The acquisition is expected to result in the Company acquiring additional qualifying investments to support VCT qualification, while simultaneously increasing the net asset base over which annual running costs are spread, thereby benefitting all Shareholders.

It is not expected that further authorities will be required from Shareholders to implement the Scheme. The Scheme will, however, require the further approval of Rensburg shareholders as stated on page 28. The acquisition should also be outside the provisions of The City Code on Takeovers and Mergers.

### Outlook

Softening demand in China and other emerging economies, greater financial market volatility and higher levels of risk aversion are creating a more challenging backdrop for UK businesses. Helping to offset this, the U.S. has been maintaining a reasonably healthy recovery and the Euro Zone as a whole has returned to economic growth. While external risks will continue to demand attention, the management teams of many smaller UK based businesses remain positive about their opportunity to maintain growth.

In performance terms, the Company has experienced another good year, which in large part remains due to careful stock selection and prudent portfolio management. This cautious, disciplined and selective approach to investing and managing the Company's assets has proved successful over many years and will be maintained.

The current outlook for the majority of investee companies held in the portfolio continues to be positive. The management teams of these businesses are generally experiencing increased levels of demand for their products and services and they therefore remain confident of delivering further growth in earnings and dividends, which in turn should help deliver satisfactory returns to Shareholders in the current financial year.

I would like to take this opportunity to thank all Shareholders for their continued support of the Company and to invite you to attend the Company's Annual General Meeting ("AGM"), which is due to be held on 11 February 2016 at The Great Chamber, The Charterhouse, Sutton's Hospital, Charterhouse Square, London EC1M 6AN. Full details are given on page 63.

### Peter Dicks

*Chairman*

11 December 2015





# Strategic Report

The purpose of this Strategic Report is to inform Shareholders of the Company on several key matters and assist them in assessing the extent to which the Directors have performed their legal duty to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

The Investment Manager's Review on pages 11 to 17 also includes what is believed to be a balanced and comprehensive analysis of the development of the business during the financial year and the position of the Company's investments at the end of the year.

## The Company and its Business Model

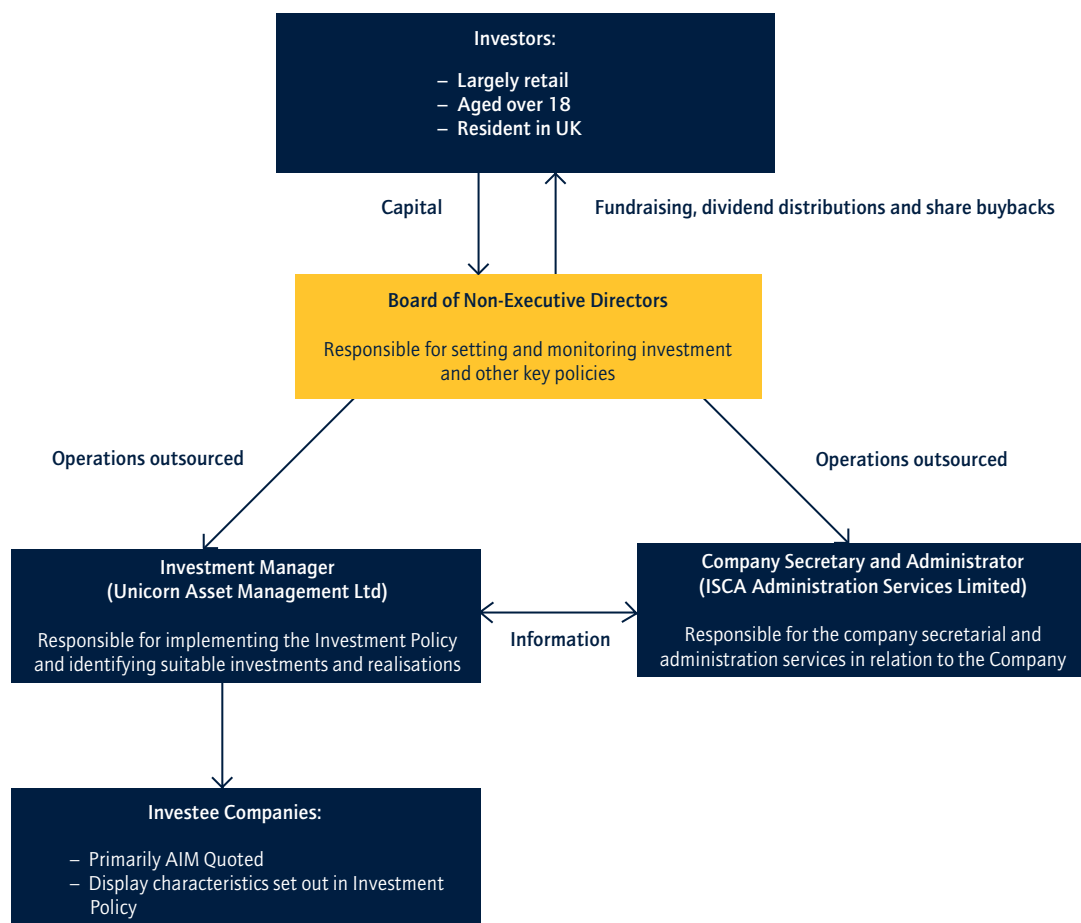
The Company is registered in England and Wales as a Public Limited Company (registration number 04266437) and is approved as a Venture Capital Trust (VCT) under section 274 of the Income Tax Act 2007 (the "ITA"). In common with many other VCTs, the Company revoked its status as an investment company as defined in section 266 of the Companies Act 1985 on 17 August 2004, to make it possible to pay dividends from capital.

The Company's shares are listed on the London Stock Exchange main market under the code UAV.

The Company is an externally managed fund with a Board comprising of four non-executive Directors. Investment management and operational support are outsourced to external service providers, with the strategic and operational framework and key policies set and monitored by the Board as described in the diagram on page 5. Further information on each of the service providers is outlined in the Corporate Governance Statement on page 35.

The Board has overall responsibility for the Company's affairs including the determination of its investment policy. Risk is spread by investing in a number of different businesses across different industry sectors. The Investment Manager is responsible for managing sector and stock specific risk and the Board does not impose formal limits in respect of such exposures. However, in order to maintain compliance with HMRC rules and to ensure that an appropriate spread of investment risk is achieved, the Board receives and reviews comprehensive reports from the Investment Manager and the Administrator on a monthly basis. When the Investment Manager proposes to make any investment in an unquoted company, the prior approval of the Board is required.

A summary of the relationship between the Board, the Company's Shareholders and external service providers is depicted below:–



## The Board's Strategy

### Investment objective and policy

The Company's investment objective and policy is shown on the inside front cover.

To achieve this objective, the Company's strategy is to invest in companies which meet the criteria referred to in the investment policy, which requires the Investment Manager to identify and invest in a diversified portfolio, predominantly of VCT qualifying companies quoted on the Alternative Investment Market ("AIM").

## Performance during the year

As at 30 September 2015, the audited NAV of the Company was 155.6 pence per share, having risen by 11.9 pence from 143.7 pence per share at the start of the financial year under review. After adding back the dividend of 6.0 pence per share paid in the year, this is a total return to Shareholders of 17.9 pence or 12.5% of the opening NAV for the year. In comparison, the total return from the FTSE AIM All-Share Index, although not a representative benchmark due its weighting in mining and oil exploration stocks, was negative 2.1% over the same period. The audited net assets of the Company were £124.6 million at the financial year end.

At the financial year end, there were 53 active VCT qualifying companies held in the portfolio. Most of these businesses are cash generative and operate with strong balance sheets. The Investment Manager continues to focus on a select number of key metrics in order to monitor and assess the financial health of these businesses. These metrics continue to improve for most of the companies held in the portfolio. As a starting point, investment in new companies is typically only made if a company is profitable at the time of first investment.

# Strategic Report

In the year to 30 September 2015, a total of £2.9 million was realised through the sale of investments while £24.0 million was raised from an Offer for Subscription. Capital amounting to £19.5 million was deployed in new investments while approximately £4.2 million was paid out as dividends to Shareholders. A further £3.2 million was spent on share buybacks and in meeting the operating costs of the Company.

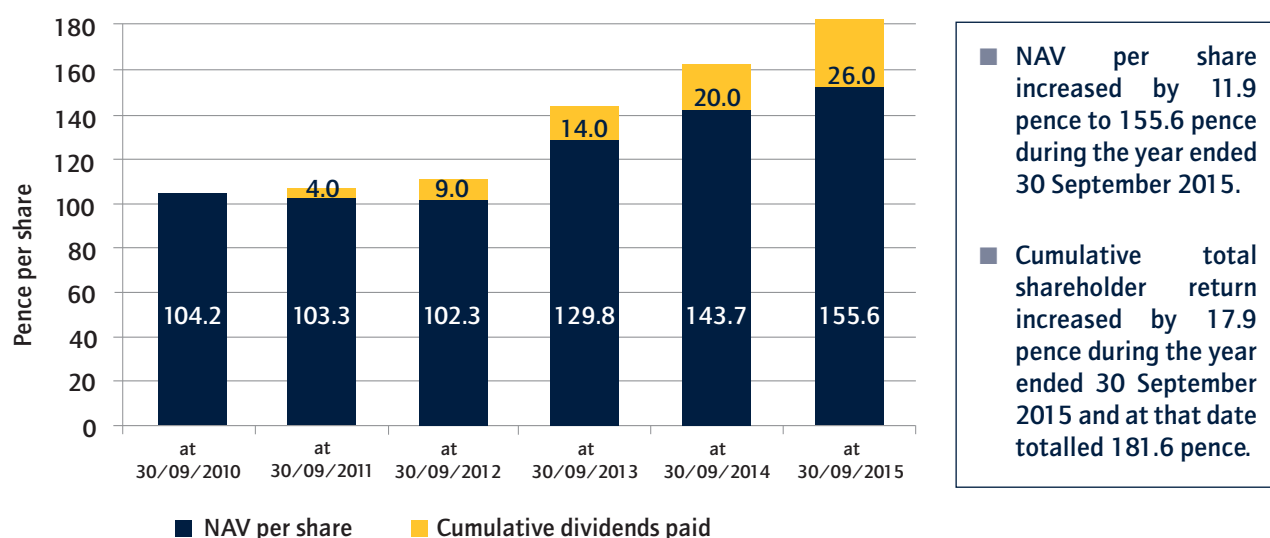
Over the 12 months to 30 September 2015 there was a net gain on investments of £14.9 million and the total profit on ordinary activities was £14.2 million, equivalent to earnings of 19.2 pence per share. The profit on the revenue account was £823,000. At the financial year end, the portfolio consisted of 53 qualifying and 19 non-qualifying investments in active businesses.

Since the merger with Unicorn AIM VCT II plc, which was completed in March 2010 when all share classes merged, the total return to Shareholders has been 97.8%, including the payment of 26 pence per share in tax free dividends to qualifying Shareholders.

## Key Performance Indicators

The bar charts below and on page 7 display the key indicators that the Board uses to measure the Investment Manager's performance, thereby helping Shareholders to assess how the Company is performing against its objective:

### • NAV per share, cumulative dividends paid & cumulative total Shareholder return\*

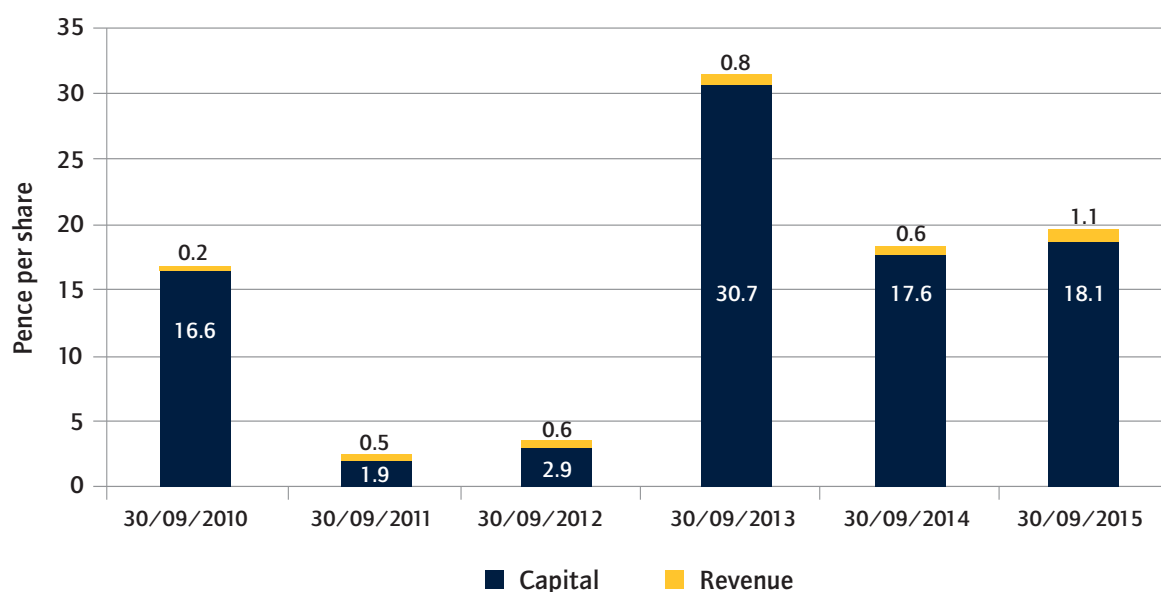


\* The cumulative total Shareholder return since the merger of the Company with Unicorn AIM VCT II plc on 9 March 2010, when the NAV per share was 91.8 pence, has been 89.8 pence representing the cumulative dividends paid of 26 pence plus the increase in NAV per share of 63.8 pence since that date.



### • Earnings per share\*

The Company's earnings per share for the year ended 30 September 2015, together with those of the previous financial years since the merger with Unicorn AIM VCT II plc in March 2010, are outlined in the graph below:



The Board remains pleased with the Company's performance.

\*Total earnings including unrealised gains/(losses) on investments after taxation divided by the weighted average number of shares in issue.

### • Running Costs

The Ongoing Charges of the Company for the financial year under review represented 2.2% (2014: 2.5%) of average net assets, which remains competitive when compared with other AIM focused VCTs.

Shareholders should note that this ratio has been calculated in accordance with the Association of Investment Companies' ("AIC") recommended methodology, published in May 2012. This figure indicates the annual percentage reduction in shareholder returns as a result of recurring operational expenses. Although the Ongoing Charges figure is based on historic information, it does provide Shareholders with a guide to the level of costs that may be incurred by the Company in the future.

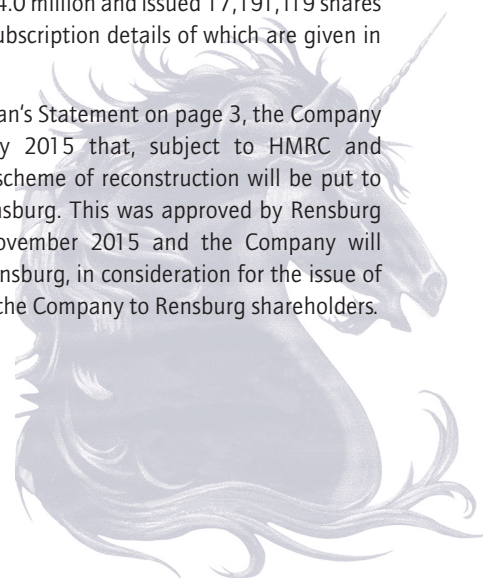
Further information in respect of the Company's performance can be found in the financial highlights on page 1.

### Key Events during the Year

During the year, the Company sought Shareholders' approval to update the Investment Policy. A circular was sent to Shareholders giving details of the change and the resolution was passed on 14 August 2015. The revised Investment Policy is shown on the inside front cover.

The Company raised £24.0 million and issued 17,191,119 shares as part of an offer for subscription details of which are given in note 14 on page 54.

As stated in the Chairman's Statement on page 3, the Company announced on 15 July 2015 that, subject to HMRC and regulatory approval, a scheme of reconstruction will be put to the shareholders of Rensburg. This was approved by Rensburg shareholders on 27 November 2015 and the Company will acquire the assets of Rensburg, in consideration for the issue of new Ordinary Shares in the Company to Rensburg shareholders.



# Strategic Report

## Key Policies

The Board sets the Company's policies and objectives and ensures that its obligations to Shareholders are met. Besides the Investment Policy already referred to, the other key policies set by the Board are outlined below.

- **Dividend policy**

The Board remains committed to a policy of maintaining a steady flow of dividend distributions to Shareholders from the income and capital gains generated by the portfolio. Dividend payments during the period amounted to £4.2 million, equivalent to 6.0 pence per share. Since the original launch of Unicorn AIM VCT in 2001, Shareholders have, in aggregate, received approximately £37.8 million in dividend distributions, including those paid to former shareholders in Unicorn AIM VCT II plc.

The Board has considered the payment of a final dividend for the financial year ended 30 September 2015, and is recommending a final dividend of 6.25 pence per share (income: 1.0 pence; capital: 5.25 pence) to Shareholders, payable on 19 February 2016 to Shareholders on the register on 29 January 2016.

The ability to pay dividends and the amount of such dividends are influenced by the performance of the Company's investments, available distributable reserves and cash, as well as the need to retain funds for further investment and ongoing expenses.

- **Share buybacks and discount policy**

The Board believes that it is in the best interests of the Company and its Shareholders to make market purchases of its shares from time to time, given the limited secondary market for VCT shares generally, and to seek both to enhance NAV and to reduce, to a degree, any prevailing discount to NAV in the current market price that might otherwise prevail. The Board agrees the discount to NAV at which shares will be bought back and keeps this under regular review. The Board seeks to maintain a balance between the interests of those wishing to sell their shares and continuing Shareholders.

The Company has continued to buy back shares for cancellation at various points throughout the financial year in accordance with the above policy. A total of 1,279,000 shares with a nominal value of £12,790 were purchased for cancellation during the course of the year, at an average price of 128.5 pence per share, for a total consideration of £1.6 million. At the financial year end, the Company's shares were quoted at a price of 137.0 pence per share representing a discount to NAV per share of 12.0%.

The Board intends to continue with the above buyback policy. Any future repurchases will be made in accordance with guidelines established by the Board from time to time and will be subject to the Company having the appropriate authorities from Shareholders and sufficient funds available for this purpose. Share buybacks will also be subject to prevailing market conditions, Listing Rules and any other applicable law at the relevant time. Shares bought back are normally cancelled.

- **Principal risks and uncertainties**

The Directors have carried out a review of the principal risks faced by the Company as part of the internal controls

process, as outlined below. Note 19 to the Financial Statements on pages 56 to 61 also provides information on the Company's financial risk management objectives and exposure to risks.

Risk	Possible consequence	How the Board guards against risk
<b>Investment and strategic risk</b>	Unsuitable investment strategy or stock selection could lead to poor returns to Shareholders.	<ul style="list-style-type: none"> <li>• <i>Regular review of investment strategy by the Board.</i></li> <li>• <i>Careful consideration of the performance of the investment portfolio on a regular basis.</i></li> <li>• <i>All unquoted investments require pre-investment authorisation from the Board.</i></li> </ul>
<b>Regulatory and tax risk</b>	The Company is required to comply with the Companies Act 2006, ITA, AIFMD (as applicable to small registered UK AIFMs), UKLA Rules and UK Accounting Standards. Breaching these rules may result in a public censure, suspension from the Official List and/or financial penalties. There is a risk that the Company may lose its VCT status under the ITA. Should this occur, Shareholders may lose any upfront income tax relief they received and be taxed on any future dividends paid and capital gains received if they dispose of their shares.	<ul style="list-style-type: none"> <li>• <i>Regulatory and legislative developments are kept under review by the Board.</i></li> <li>• <i>The Company's VCT qualifying status is continually reviewed by the Investment Manager and the Administrator.</i></li> <li>• <i>PricewaterhouseCoopers LLP has been retained by the Board to undertake an independent VCT status ongoing monitoring role.</i></li> </ul>
<b>Operational risk</b>	The Company has no employees and is therefore reliant on third party service providers. Failure of the systems at third party service providers could lead to inaccurate reporting or monitoring. Inadequate controls could lead to the misappropriation of assets.	<ul style="list-style-type: none"> <li>• <i>Internal control reports are provided by service providers on a regular basis.</i></li> <li>• <i>The Board considers the performance of the service providers annually and monitors activity on a monthly basis.</i></li> </ul>
<b>Fraud and dishonesty risks</b>	Fraud may occur involving Company assets perpetrated by a third party, the Investment Manager or other service provider.	<ul style="list-style-type: none"> <li>• <i>Internal control reports are provided by service providers on a regular basis.</i></li> <li>• <i>The Administrator is independent of the Investment Manager.</i></li> </ul>
<b>Financial Instrument risks</b>	The main risks arising from the Company's financial instruments are due to fluctuations in their market prices, interest rates, credit risk and liquidity risk.	<ul style="list-style-type: none"> <li>• <i>The Board regularly reviews and agrees policies for managing these risks and full details can be found in Note 19 on pages 56 to 61.</i></li> </ul>
<b>Economic risk</b>	Events such as recession, inflation or deflation, movements in interest rates and technological change can affect trading conditions and consequently the value of the Company's investments.	<ul style="list-style-type: none"> <li>• <i>While no single policy can obviate such risks, the Company invests in a diversified portfolio of companies, whilst seeking to maintain adequate liquidity.</i></li> </ul>

## The Regulatory Environment

The Board and Investment Manager are required to consider the regulatory environment when setting the Company's strategy and making investment decisions. A summary of the key considerations are outlined below.

- **Human rights**

The Board seeks to conduct the Company's affairs responsibly and expects the Investment Manager to

consider human rights implications as far as possible, particularly with regard to investment decisions.

- **Diversity**

The Directors are aware of the need to have a Board which, as a whole, comprises an appropriate balance of skills, experience and diversity. Appointments to the Board are made according to expertise and knowledge. The Board currently comprises four male non-executive Directors and

# Strategic Report

the Board has confirmed that it is content with its current composition but will review this during the current year. The Board will, consider gender diversity in making future appointments.

- **Anti-bribery policy**

The Company has adopted a zero tolerance approach to bribery and will not tolerate bribery under any circumstances in any transaction in which it is involved. The Company values its reputation for ethical behaviour and for financial probity and reliability and the Directors are committed to working to the highest ethical standards.

The Company expects and requires each of its service providers to work to the same standard and has obtained confirmation from them that this is the case.

- **Environmental and social responsibility**

The Board seeks to conduct the Company's affairs responsibly and expects the Investment Manager to consider relevant social and environmental matters when appropriate, particularly with regard to investment decisions. The Company offers electronic communications where acceptable, to reduce the volume of paper it uses in sending communications to Shareholders. In addition, Board and Committee meetings are held by conference call where it is appropriate to do so. The Company's Annual and Half-Yearly reports are printed on paper sourced from forests certified by the Forestry Stewardship Council ("FSC") that meet its environmental, social and economic standards.

## Viability Statement

The Board has considered the need to confirm that the Company is able to meet all liabilities when due and that it can continue to operate for a period of at least twelve months from the date of signing the Annual Report. The Directors state on page 28 that they consider the Company is a going concern over this timeframe.

Under the revisions to the UK Corporate Governance code there is a new requirement that the Board also has to consider its operations over the longer term.

The Directors consider the viability of the Company as part of their continuing programme of monitoring risk and conclude that five years is a reasonable time horizon to consider the continuing viability of the Company. This is also in line with the requirement for the Company to continue in operation so investors subscribing for new shares issued by the Company can hold their shares for the minimum five year period to allow them to benefit from the tax incentives offered when those shares were issued.

In order to maintain viability, the Company has a detailed risk control framework which has the objective of reducing the likelihood and impact of: poor judgement in decision-making; risk-taking that exceeds the levels agreed by the Board; human error; or control processes being deliberately circumvented.

These controls are reviewed by the Board on a quarterly basis to ensure that controls are working as prescribed. In addition, reviews of all service providers are undertaken regularly.

The Directors consider that the Company is viable for the five year time horizon for the following reasons:

- The Company has a diversified investment portfolio including over £11 million invested in readily realisable listed shares and a further £10 million in open ended funds and cash. The Company therefore has sufficient liquidity in the portfolio.
- The ongoing charges ratio of the Company as calculated using the AIC recommended methodology equates to 2.2% of net assets which is highly competitive for the VCT sector.
- The Board believes that there will continue to be suitable qualifying investments available that will enable the Company to maintain its operations successfully over the five year time horizon.
- The Company has no debt or other external capital funding.

The Directors have also considered the viability of the Company should there be slowdown in the economy or a collapse of the markets leading to lower dividend receipts and asset values. As stated above ongoing charges equate to 2.2% of net assets of which the Investment Management fee is 2.0% of net assets. Therefore any fall in the value of net assets will result in a corresponding fall in the major expense of the Company.

As a result of these factors, the Directors have concluded that there is a reasonable expectation that the Company can continue in operation over the five year period.

## Prospects

The prospects for the Company are discussed in details in the Outlook section of the Chairman's Statement on page 3.

## For and on behalf of the Board

### Peter Dicks

*Chairman*

11 December 2015

# Investment Manager's Review

The audited net assets of the Company as at 30 September 2015 totalled £124.6 million, representing an all-time high of 155.6 pence per share. After adding back dividends paid of 6 pence per share in the period, the total return amounted to 17.9 pence for the year or 12.5% upon the opening NAV of 143.7 pence per share.

## Alternative Investment Market (AIM) Review

In the year ended 30 September 2015, the FTSE AIM All-Share Index delivered a disappointing total return of -2.1%. The decline in the value of the Index was mainly caused by the rapid fall in the oil price during the year. The collapse in energy prices created particularly challenging trading conditions for junior oil & gas exploration companies, which have historically accounted for a significant proportion of Index value as a whole.

The Alternative Investment Market (AIM) is celebrating its 20th anniversary this year and despite setbacks from specific sectors, it remains a vibrant, rapidly evolving market with a significant number of potential investee companies from which to choose. As at 30 September 2015, there were over 1,000 different businesses listed on AIM, with a combined market capitalisation of over £72 billion. This makes AIM easily the largest junior investment market in Europe and a natural place for young and fast growing companies to seek their first public listing.

The small size, lack of maturity and limited profitability of smaller quoted companies are often cited as reasons for avoiding investment on AIM. While these concerns may be understandable, they are arguably misplaced. For example, approximately one quarter of all the businesses currently listed on AIM are forecast to pay a dividend in their current financial year, which is testament to the balance sheet strength and cash generative, profitable nature of these businesses.

Analysis of the qualifying holdings within the Company's portfolio also reveals some surprising facts. At the time of writing, the largest qualifying holding in the portfolio; Abcam, had a market capitalisation of more than £1 billion. There are two companies within the portfolio that have market capitalisations of £250 million or more, ten that are valued at more than £100 million, and a further seventeen holdings that have market capitalisations of between £20 million and £100 million.

## Performance Review

The total return performance of the Company was again strong during the period under review.

The predominant theme during the year was one of continued

improvement in the trading environment for a significant proportion of the companies held in the portfolio. Customer demand for specialised products and services, particularly those with a clear and rapid payback on investment, has been steadily increasing. Following a number of years during which achieving revenue growth was difficult, we are now in a more benign economic environment, enabling many of our businesses to grow their top line sales, which typically results in substantially improved profitability.

The investment portfolio remains diversified both by number of holdings and by sector exposure. At the financial year end, the portfolio consisted of 53 active VCT qualifying companies and 19 non-qualifying investments. These investments are spread across 17 different sectors.

A review of the key contributors to performance (both positive and negative) and a summary of the main purchases and disposals made during the year follows.

**Review of Qualifying Investments** (bracketed figures represent the mid-price share price movement for the year under review or, if purchased after 30 September 2014, since the date of investment):-

**Abcam** (+45%) is a global leader in the supply of innovative protein research tools. The business has experienced another successful year of solid revenue and profit growth. Highlights included a 14.2% growth in total revenues to £144 million while earnings per share increased by 9.1% to 18.6 pence per share (2013/14: 17.0 pence). The closing net cash balance also grew to £58.7 million (30 June 2014: £56.9 million), while a full year dividend increase of 5.9% to 8.2 pence per share (2013/14: 7.75 pence) was proposed. The new financial year is reported to have started well.

**Animalcare Group** (+46%) is a leading supplier of veterinary medicines. Animalcare's results for the financial year ended 30 June 2015 highlighted revenue and gross profit growth of 5.1% and 6.0% respectively. Animalcare is a cash generative business that remains debt free and is therefore in a strong financial position to invest in future growth. The proposed dividend was increased by 10.9% and given the company's strong balance sheet, the Animalcare board expects to maintain this progressive dividend policy during the current investment phase. By continuing to invest in, and develop, enhanced veterinary generic pharmaceuticals, Animalcare should be able to deliver further sustained growth over the next three to five years.

**Anpario** (+25%) is a specialist producer of natural feed additives that promote animal health, hygiene and good nutrition. For the



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financial half-year ended 30 June 2015, Anpario recorded an 8% increase in profit before tax from continuing operations to £1.6 million (2014: £1.5 million) as the business continued to focus on selling specialist, higher margin feed additives into growth markets. The balance sheet remained strong with net cash balances of £7.9 million at 30 June 2015 (31 Dec 2014: £6.6 million). Anpario's strategy of international expansion continued to be successful, with strong profit growth achieved in the Americas and Asia Pacific of 17% and 11% respectively. The subsidiary in China also made healthy progress with sales in the region growing by 31%, albeit from a low base. The second half of Anpario's financial year is reported to have started well and the management team remain confident of delivering further growth.

**Avingtrans** (–18%) is a designer, manufacturer and supplier of critical components to the global aerospace, energy and medical sectors. Following disappointing interim results for the six month period ended 30 November 2014, Avingtrans' management team quickly implemented a restructuring and cost reduction programme in order to manage lower levels of activity from both aerospace and oil and gas customers. Having responded swiftly, management were able to contain the impact on full year profits and have recently reported better than expected results for the company's financial year ended 31 May 2015. In the full year, revenue decreased by 4% to £57.8 million (2014: £60.3 million), while adjusted profit before tax decreased by 16%, to £2.9 million (2014: £3.5 million). Net debt increased in the period to £5.9 million (31 May 2014: £3.6 million), as a result of restructuring costs and continued investment in capability and capacity. Gearing however, remained at a manageable 17% (2014: 11%), while the full year dividend was increased by 11% to 3 pence per share, reflecting management's confidence in the outlook for the business.

**Castleton Technology** (+137%) is a provider of software and managed services to the public and not-for-profit sectors. In its financial year ended 31 March 2015, Castleton completed four acquisitions of software and IT services assets, while simultaneously growing revenues organically. The acquisitions were funded by way of two over-subscribed placings of new Castleton shares, which in aggregate raised £7.8 million. Given the high quality nature of the software and IT services assets that Castleton has acquired, the business now has the potential to become the market leading supplier of software and IT services to the social housing sector. The management team at Castleton is now focused on fully integrating the acquired companies with the aim of delivering additional value to the customer base. The new financial year is reported to be progressing well, with the group as whole trading in line with market expectations.

**Cohort** (+32%) is an independent technology group, primarily operating in defence and related markets. At the end of September, Cohort released an AGM statement and trading update, which reported on continued strong trading. Having delivered record levels of revenue, operating profit and net cash in the financial year ended 30 April 2015, the three main operating businesses; SCS, SEA and MASS, all continue to trade well, while the acquisitions of MCL and J+S are also reported to be making a positive contribution. The net cash balance at the financial year end was £19.7 million, after total expenditure of £17 million on acquisitions. The group's order book remains strong at £134 million, with around 66% of expected 2015/16 revenue underpinned by customer orders. This is an encouraging figure, since it represents a slightly higher percentage compared to the previous year.

**Crawshaw Group** (+36%) is a retailer of fresh meat and food-to-go, which continues to deliver strong organic and acquisitive growth. In its interim results for the six months ended 31 July 2015, the business recorded a 42% increase in total sales to £16.7 million (2014: £11.8million), which translated into 27% growth in adjusted profits before tax to £0.9 million (2014: £0.7 million). Following the acquisition of a competitor together with a number of new store openings, Crawshaw ended its first half with 33 retail outlets. The expansion plan, which is expected to be largely self-funding, should hopefully see the business grow to more than 200 retail outlets over the next few years. Growth of this scale requires investment in infrastructure and in accelerated opening costs, which will inevitably depress profitability during the expansion phase. The business retains a strong balance sheet however, with net cash at the financial year end of £6.0 million. The strength of the balance sheet, together with positive cash flow from the underlying estate, should be sufficient to support the store opening programme, while leaving funds available to maintain a modestly progressive dividend policy.

**Driver Group** (–38%) is a global management and advisory consultancy firm focused on the construction and engineering industries. In a pre-close trading update released in October 2015, Driver Group announced that revenues in the second half of its financial year were at record levels, driven by organic growth of 20%. As a result, the group's cash position is expected to be marginally better than market expectations, Short term working capital requirements will, however, mean an increase in debt during the coming year, before cash generative profits return the group to a positive cash position in the medium term. Underlying operating profits for the year ended 30 September 2015 are reported to be in line with market expectations, but approximately £0.5 million of exceptional costs are expected.



**Eclectic Bar Group** (–66%) is an operator of premium bars located in major towns and cities across the UK. Eclectic operates nineteen premium bars across a number of concepts. The financial year ended 28 June 2015 was something of a disaster, with the group experiencing extremely challenging trading conditions, resulting in a loss before tax of £6.2 million following a significant impairment of fixed assets and goodwill. Management have responded to the challenging trading conditions by reducing head office costs, closing non-profitable sites and renegotiating its principal supply contracts. The benefit of these cost savings should be felt during the group's current financial year. In addition, Luke Johnson, a serial entrepreneur, best known for his involvement in Pizza Express, has been appointed as executive chairman, and has also acquired an 18.8% stake in the business as part of a £1.6 million share placing.

**Hardide** (–49%) is a provider of advanced surface coating technology to a wide range of applications. In a pre-close trading update, ahead of the publication of preliminary results for the year ended 30 September 2015, Hardide announced that it expects to report preliminary year end results that are in line with current market expectations. Unfortunately, after a record first six months, the business experienced weaker demand in the second half of its financial year. This is a direct result of reduced investment activity in the global oil and gas sector. Despite this setback, Hardide continues to make progress in diversifying its customer base, both geographically and by sector. Potentially significant customer trials are reported to be advancing well.

**Mattioli Woods** (+42%) is a specialist wealth management and employee benefits business. In its financial year ended 31 May 2015, the Group achieved revenue growth of 17.8% to £34.6 million (2014: £29.4 million), while adjusted earnings per share grew by a modest 0.8% to 27.5p (2014: 27.3p). Basic earnings per share fell by 9.8% to 19.8p (2014: 22.0p), with 6.8% growth in operating profits offset by a significant increase in the effective rate of taxation to 24.0% (2014: 16.3%). Total client assets under management, administration and advice increased by 16.8% to £5.4 billion at the financial year end. Growth in fees, based on the value of clients' assets under management and advice, increased recurring revenues to 81.4% (2014: 78.1%) of revenue, with the value of discretionary assets under management now in excess of £1 billion. The proposed total dividend has been increased by 15.4% to 10.5p (2014: 9.1p), while the balance sheet remained strong, with net cash of £10.6 million (2014: £9.5 million) at the period end. After the financial year end, the financial position was further strengthened as a

result of a placing of new shares, which raised gross proceeds of £18.6 million. The new funds will provide flexibility to pursue further acquisition opportunities and increase headroom on regulatory capital requirements.

**Pressure Technologies** (–75%) is a designer and manufacturer of high pressure stainless steel cylinders, which are used in a variety of specialised applications. The group has pursued a strategy of diversification in recent years, but, despite this, revenues remain weighted towards the oil and gas sector. Due to the significant and prolonged weakness in the global oil price, oil exploration companies have materially reduced capital spending on new projects. Unsurprisingly, this has had a negative impact on the group's order book. As a result, expectations for the current financial year have been revised downwards. Pressure Technologies' share price fell sharply during the period under review; however the holding is being retained in anticipation of a strong recovery in value once energy prices rise.

**Redcentric** (+48%) is a leading UK IT managed services provider. The business offers a range of IT and Cloud services designed to support organisations as they migrate from traditional IT infrastructure to the Cloud. After the end of the period under review, Redcentric released Interim Results covering its six months to 30 September 2015. The results confirmed that trading remained in line with market expectations, underpinned by continued strong organic growth in recurring revenues. In addition, Redcentric reported on healthy new business activity, referring to some notable, £1 million plus, contract wins.

**Tangent Communications** (–68%) is a digital marketing and printing specialist. Operational issues and a challenging trading environment continue to depress the share price of Tangent. In an AGM statement released in June 2015, the board of Tangent acknowledged the scale of the problem. Forecasts for the remainder of their financial year have now been significantly lowered due mainly to under performance in their digital agency business, Tangent Snowball. Unfortunately, Tangent Snowball has not developed the expected pipeline of new business and this has ultimately resulted in the group having to issue a profit warning. Management change has now been implemented in this division but the lack of new business means that profits within Tangent Snowball are likely to be at least £0.5 million below expectations. Net cash at the end of the year is expected to be in excess of £2 million.

**Tracsis** (+14%) is a leading provider of software and technology led products and services for the transportation industry. The

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group announced a strong set of interim results in April 2015, which demonstrated that Tracsis continues to benefit from increased demand across all areas of the business. A trading update released in August confirmed that this momentum had been maintained across the group's three key divisions. Full year results are now expected to be ahead of both the previous financial year and market forecasts. The board has reported that group revenue will be circa £25 million (2014: £22.4 million) with adjusted pre-tax profit expected to be comfortably ahead of market expectations of £5.5 million. Pleasingly, the year-end cash balance was in excess of £12 million (2014: £8.9 million), and the business remains debt free.

**Tristel** (+45%) is a developer and manufacturer of infection control, contamination control and hygiene products. The results for the financial year ended 30 June 2015 were released in October 2015 and revealed that turnover had increased by 14% to £15.3 million, while pre-tax profits grew by 44% to £2.6 million. Encouragingly, sales growth was achieved both in the UK and overseas, with overseas sales contributing a meaningful 36% of the group total. As a result of a lower than expected tax rate, basic earnings per share increased by 67% to 5.4p. The business is inherently cash generative and, as a result, net cash on the balance sheet at the financial year end grew by £1.3 million to £4.0 million. The total dividend per share increased to 5.7p (2014: 1.6p), which included a special dividend of 3p per share. The management team believe that the business is well placed to take advantage of current trends in the global disinfection market and the outlook for the group remains promising.

**Review of non-qualifying Investments** (bracketed figures represent the share price movement for the year under review or since the date of investment on a mid-price basis):-

Non-qualifying investments performed well in the period under review, with the most notable contributions to performance coming from **Arbuthnot Banking Group** (+34%), **BCA Marketplace** (+14%), **Epwin Group** (+29%), **Macfarlane Group** (+28%), **Pinewood Group** (+13%), **Renold** (+27%) and **Sinclair IS Pharma** (+38%). There were no material disappointments among the non-qualifying investments.

## Investment Activity

In terms of new investment, the financial year under review was another productive period.

In total, ten new investments were made, at a total cost of just over £11.5 million. Four of these investments were in VCT qualifying companies that are new to the portfolio,

while the remainder, including the purchase of units in the Unicorn Outstanding British Companies Fund, were in new non-qualifying investments. Although it is still early days, the performance of these new investments has been pleasing. In aggregate, the unrealised capital gain on these new investments was £2.3 million as at the financial year end, which is equivalent to a return on investment of 20.6%.

The four VCT qualifying investments in companies new to the portfolio were as follows:-

**Belvoir Lettings** (-2%) is one of the UK's largest residential property lettings franchises. In September, Belvoir released interim results for the six months ended 30 June 2015, which highlighted strong growth in Management Service Fees of 14% to £1.8 million (H1 2014: £1.5 million) while profit after tax was maintained at £0.6 million (H1 2014: £0.6 million). As part of its stated expansion strategy, Belvoir has recently completed two acquisitions, each of which was part-funded by oversubscribed VCT qualifying share placings. The Company participated in both of these fundraising rounds, committing £1.9 million of capital in exchange for a near 4% stake in the enlarged business. As a consequence of the acquisitions, the Belvoir network now stands at 211 outlets nationwide. Trading in the second half of Belvoir's financial year is traditionally stronger than the first half and there appears to be no reason why this year should be any different. Trading since the period end is reported to be in line with expectations.

**European Wealth Group** (+5%) is a wealth management group. In June 2015, the Company participated in a placing of new VCT qualifying shares in European Wealth Group in order to help the business deliver its next phase of planned growth. A total of £1.8 million was committed to this new investment, which equates to an ownership stake in European Wealth of slightly below 10%. In September 2015, the group announced unaudited interim results for the six month period to 30 June 2015, which highlighted healthy growth in funds under management to £1.1 billion (30 June 2014: £0.8 billion). As a result, group revenue for the period increased by 90% to £3.8 million (H1 2014: £2.0 million) and, although this translated to a loss before tax for the period of £0.4 million (H1 2014: £0.3 million profit), this was due to significant investment in people and systems.

**Stride Gaming** (+118%) is a multi-branded online gaming operator focused primarily on low stake, high frequency bingo games. The business listed on AIM in May 2015, having successfully raised £11.2 million of new funding. The Company

invested £1.4 million in the VCT qualifying shares of Stride Gaming at this time. Stride is a profitable business run by a management team with a proven record of success in the gaming sector. The business has subsequently released a series of positive updates and management recently confirmed that strong trading has continued in the second half of the financial year. As a result, net gaming revenue for the financial year ended 31 August 2015 is expected to be not less than £25 million, while earnings before interest, tax, depreciation and amortisation should be not less than £7 million. Share price performance has been strong during Stride's first months as a publicly quoted company.

**Totally** (+89%) is a provider of a range of services to the healthcare sector. The group's principal activities are the design, implementation and delivery of services designed to help individuals better understand their health and promote long term behaviour change, which in turn is aimed at reducing reliance on the NHS. In September 2015, Totally completed a £1 million placing of VCT qualifying shares with institutional and other investors and appointed Bob Holt, chairman of Mears Group PLC, as its new non-executive chairman. The Company participated in this fundraising in the belief that health coaching will become a key tool in the Government's drive to reduce hospital admission rates and lessen the burden on the public sector caused by avoidable ill health. It is expected that the net proceeds of this first subscription will be used to roll out the first phase of Totally's direct-to-consumer clinical health-coaching service and to further develop the company's existing business-to-business health-coaching offering.

The main investments in new non-qualifying companies were:-

**BCA Marketplace** (+14%) is the market leader in the European used vehicle marketplace operating in 13 countries and selling approximately one million vehicles per annum. The business was formerly known as British Car Auctions and was renamed after being acquired in 2014 by a new management team who used an AIM listed cash shell to achieve a public listing for the group. The acquisition was funded by an equity issue of £1.0 billion and a term loan of £200 million accompanied by a move from the AIM Index to the FTSE All-Share Index. Trading performance in the brief period since listing has been positive. Group auction volumes in the first quarter have increased to 274,300 units; a 7.7% improvement compared with the same quarter in 2014. Revenue for the period increased by 17.8% to £243.4 million and adjusted EBITDA, increased to £23.0 million. In a trading statement released on 25 August 2015, the board of BCA confirmed that the underlying business was

continuing to perform well, while highlighting that it is actively evaluating projects designed to accelerate growth and increase capacity.

**Communis** (+8%) is a leading provider of personalised customer communication services. In July, the business reported interim results for the six months ended 30 June 2015, which demonstrated strong growth in profitability, operating margin and earnings per share, while also highlighting improved free cash flow and reduced bank debt. As a consequence, the proposed dividend was increased for the fifth consecutive year, in line with the board's stated progressive dividend policy. Recent success in winning and retaining important multi-year contracts from new and existing customers means that the board has expressed confidence in delivering further revenue growth, together with improving profitability and cash generation in the remainder of the group's current financial year.

**Pinewood Group** (+13%) is a world leading studio and production services operator to the film, television and computer gaming industries. The group's audited results for the financial year ended 31 March 2015 confirmed another year of record revenues, which translated into strong earnings and dividend growth. Revenues grew to £75.0 million (year ended 31 March 2014: £64.1 million), while basic earnings per share increased by 17% to 13.5p (year ended 31 March 2014: 11.5p). Cash generated from operations was also strong at £18.4 million (year ended 31 March 2014: £14.0 million), a 31% increase on the previous year. This healthy cash flow has enabled the board to declare a 47% increase in the final dividend to 2.8p per share (year ended 31 March 2014: 1.9p). Encouragingly, the current financial year is reported to have started strongly.

In addition to securing attractive and interesting new investment opportunities, a number of existing holdings were also increased in size through secondary investment in both VCT qualifying and non-qualifying shares. In total, almost £8 million of new capital was deployed in this way, of which about 40% was VCT qualifying. A brief summary of these investments follows:-

**The City Pub Company (East and West)** is an unquoted, predominantly freehold, pub business founded in December 2011. At the start of the financial year under review the total VCT qualifying investment in City Pubs amounted to £1.0 million. A further VCT qualifying investment of £1.3 million was made in October 2014. This was followed by a £2 million, non-qualifying investment in new convertible preference shares. The convertible preference shares attract interest of 6% per annum and are convertible at 160 pence per share. Both City Pub companies are continuing to experience stronger than expected



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trading. An independent valuation of the combined City Pub property assets has recently been completed, indicating that tangible net asset value has increased to 140 pence per share. The Company's investments in the equity of The City Pub Company (East & West) were made at 100 and 120 pence per share respectively.

A further five follow-on VCT qualifying investments were made. The largest of these was a £1.25 million commitment to support an acquisition proposed by **Interactive Investor**, a leading online investment platform for retail investors. £500,000 was committed to **APC Technology Group**, £300,000 each to **Castleton Technology** and **EG Solutions** and £250,000 to **Dillistone Group**. All of these were follow-on investments in established companies within the portfolio and were made to assist these companies in achieving their growth plans.

Additional follow-on investments were made in **Gama Aviation** (£750,000) and **Macfarlane Group** (£201,000). Due to their large size, neither of these companies met HMRC's VCT qualifying rules.

A holding in **Kainos Group** was acquired when the company listed on the main market in July 2015 and was subsequently sold, realising a capital gain of 41.6%.

## Realisations

Realisations totalling £2.9 million were made in the financial year to 30 September 2015. Two holdings from the non-qualifying portfolio were sold in the open market generating a total capital profit of £140,000.

Merger and acquisition activity resulted in one VCT qualifying company; **Accumuli**, being acquired by a quoted competitor. Accumuli is a leading UK-based IT security specialist, which announced in March 2015, that it had reached agreement with **NCC Group**, an independent provider of escrow, assurance and internet domain services, on the terms of a recommended offer pursuant to which NCC Group acquired the entire issued ordinary share capital of Accumuli. This acquisition completed on 30 April 2015. The shares offered by NCC Group as consideration for the acquisition have been retained in the portfolio for the time being, since they remain qualifying for VCT purposes for a period of up to two years, by virtue of the fact that NCC Group is a fully listed UK company. The investment in Accumuli, made in November 2010, has been another notable success for the Company's portfolio, with the carrying value of the holding, at the period end date, being over 5 times original book cost.

There was one outright sale of an unquoted, VCT qualifying, investment. **Synarbor** is a recruitment business focused on the UK education sector that was bought by a private equity firm during the period. Synarbor had been held in the portfolio for many years, but the business struggled as a publicly quoted company and de-listed from AIM in 2008. Since that time, some recovery in value has been achieved, but the sale nonetheless crystallised a loss on book cost of £722,000.

Shortly before the Company's financial year end, **Alkane Energy**, one of the UK's fastest growing independent power generators, received a recommended cash bid from **Balfour Beatty**. The position in Alkane was therefore realised in full, at a figure that was close to book cost.

Partial disposals were made in a number of holdings. These disposals were predominantly of non-qualifying holdings, thereby improving the percentage of total assets invested in VCT qualifying companies.

Including partial disposals, the total realised capital gain from the sale of investments amounted to £0.5 million.

## Prospects

The financial year to 30 September 2015 was another period of solid progress for the Company.

From the Investment Manager's perspective, one of the most pleasing aspects of this progress has been the continued growth and development achieved by so many of the investee companies. Having confronted and survived the extremely difficult trading conditions that prevailed during the financial crisis and subsequent economic downturn, it is very encouraging to see many of these businesses now in a position to grow their revenues in a meaningful way. A significant proportion of these businesses have been held in the portfolio for at least five years, and, during this time, they have managed to deliver impressive growth despite, at times, facing exceptionally difficult trading conditions. The outlook for these businesses appears brighter today than it has for many years.

The investment portfolio continues to hold a diverse range of established and predominantly profitable businesses, that typically operate in specialised niche markets offering sustainable long term growth potential. As a result, we remain optimistic that many of these investment holdings can continue to prosper and grow over time.

The percentage of total assets held in VCT qualifying companies remains above the threshold required by HMRC and, as highlighted in the Strategic Report, the proposed acquisition of the assets of Rensburg should further improve this percentage.

Meanwhile, the existing portfolio of investments continues to strengthen and develop and, as a result, we remain confident that the established strategy can deliver further attractive returns for Shareholders.

**Chris Hutchinson**

*Unicorn Asset Management Limited*

11 December 2015



Investment Portfolio Summary

	Date of first investment	Book cost	Original cost	Valuation	Valuation basis	Type of security	Market sector	% of equity held	% of net assets by value	Date of latest accounts	Turnover	Profit/(loss) before tax	Net assets/(liabilities)	% of equity held by funds managed by Unicorn Asset Management Limited	Website address
		£'000	£'000	£'000							£'000	£'000	£'000		
<b>Qualifying investments</b>															
<b>AIM/PLUS quoted investments</b>															
<b>Abcam</b> Producer and distributor of high quality protein research tools	Oct 2005	1,768	595	10,327	Bid price	Ordinary shares	Pharmaceuticals & biotechnology	0.9%	8.3%	30-Jun-15	144,030	46,100	214,100	1.0%	www.abcam.com
<b>Tracsis</b> Developer and supplier of resource optimisation and data capture technologies to the transport industry	Nov 2007	768	730	7,310	Bid price	Ordinary shares	Software & computer services	6.4%	5.9%	31-Jul-15	25,380	4,470	22,380	6.4%	www.tracsis.com
<b>Anpario</b> Manufacturer of natural feed additives for global agricultural markets	Nov 2006	1,585	1,449	6,512	Bid price	Ordinary shares	Pharmaceuticals & biotechnology	9.7%	5.2%	31-Dec-14	26,570	3,320	22,750	10.9%	www.anpario.com
<b>Mattioli Woods</b> Consultants in the provision of pension and wealth management services	Nov 2005	1,680	1,329	6,090	Bid price	Ordinary shares	Financial services	4.1%	4.9%	31-May-15	34,570	5,290	39,470	4.7%	www.mattioli-woods.com
<b>Crawshaw Group</b> Yorkshire based chain of retail butchers	Apr 2007	1,538	2,000	5,457	Bid price	Ordinary shares	Food & drug retailers	9.2%	4.4%	31-Jan-15	24,620	1,190	19,970	9.2%	www.crawshawgroupplc.com
<b>Cohort</b> Provision of a wide range of technical services to clients in the defence and security sectors	Feb 2006	1,414	1,689	4,795	Bid price	Ordinary shares	Aerospace & defence	3.2%	3.8%	30-Apr-15	99,940	5,950	62,850	3.2%	www.cohortplc.com
<b>Stride Gaming</b> Multi branded on-line bingo operator	May 2015	1,400	1,400	3,023	Bid price	Ordinary shares	Travel & leisure	2.1%	2.4%	31-Aug-14	8,490	550	4,840	2.1%	www.stridegaming.com
<b>Animalcare Group</b> Specialist veterinary pharmaceuticals and animal health products	Dec 2007	1,476	688	2,501	Bid price	Ordinary shares	Pharmaceuticals & biotechnology	6.0%	2.0%	30-Jun-15	13,536	3,010	20,991	6.0%	www.animalcaregroup.co.uk
<b>ULS Technology</b> Comparison software and services for the property, legal and financial services markets	July 2014	1,500	1,500	2,138	Bid price	Ordinary shares	Media	5.8%	1.7%	31-Mar-15	16,140	1,510	6,530	5.8%	www.econveyancer.com
<b>Idox</b> Information and knowledge management software	May 2007	500	375	2,025	Bid price	Ordinary shares	Software & computer services	1.4%	1.6%	31-Oct-14	60,680	7,580	48,590	1.4%	www.idoxplc.com
<b>Avingtrans</b> Provision of precision engineering services	Oct 2004	996	996	1,843	Bid price	Ordinary shares	Industrial engineering	6.0%	1.5%	31-May-15	57,820	1,870	34,190	6.0%	www.avingtrans.plc.uk
<b>European Wealth Group</b> Private wealth management	Jun 2015	1,759	1,759	1,824	Bid price	Ordinary shares	Financial services	9.5%	1.4%	31-Dec-14	N/A	N/A	16,650	9.5%	www.ewgrouplimited.com
<b>Tristel</b> Manufacturer of contamination and infection control products	Nov 2009	878	865	1,586	Bid price	Ordinary shares	Healthcare equipment & services	3.9%	1.3%	30-Jun-15	15,330	2,550	14,170	3.9%	www.tristel.com
<b>HML Holdings</b> Residential property management	Jul 2007	431	834	1,465	Bid price	Ordinary shares	Real estate investment & services	9.8%	1.2%	31-Mar-15	17,230	1,140	8,790	9.8%	www.hmlholdings.com
<b>Gama Aviation</b> Operator of privately owned passenger jet aircraft	Nov 2010	760	760	1,400	Bid price	Ordinary shares	Industrial transportation	1.7%	1.1%	30-Jun-14	64,950	1,490	7,480	1.7%	www.gamaaviation.com
<b>Access Intelligence</b> Compliance software solutions for the public and private sectors	Dec 2004	1,667	1,664	1,333	Bid price	Ordinary shares	Software & computer services	10.1%	1.1%	30-Nov-14	8,550	(930)	5,590	10.1%	www.accessintelligence.com
<b>Castleton Technology (formerly Redstone)</b> Structured cabling and intelligent infrastructure management	Nov 2004	463	463	1,169	Bid price	Ordinary shares	Software & computer services	2.6%	0.9%	31-Mar-15	6,050	(3,060)	7,520	2.6%	www.castletonplc.com
<b>Redcentric</b> Implementation and support of enterprise software solutions	Nov 2004	393	393	1,160	Bid price	Ordinary shares	Software & computer services	0.4%	0.9%	31-Mar-15	94,320	7,830	94,740	0.4%	www.redcentricplc.com
<b>Sanderson Group</b> Provider of software solutions and IT services to the multi-channel retail and manufacturing sectors	Dec 2004	895	895	1,113	Bid price	Ordinary shares	Software & computer services	3.2%	0.9%	30-Sep-14	16,410	1,920	25,820	3.2%	www.sanderson.com
<b>Instem (formerly Instem Life Science Systems)</b> Information solutions for life sciences R&D	Jan 2011	985	985	1,069	Bid price	Ordinary shares	Software & computer services	4.4%	0.9%	31-Dec-14	13,430	210	5,420	4.4%	www.instem.com



Investment Portfolio Summary

	Date of first investment	Book cost	Original cost	Valuation	Valuation basis	Type of security	Market sector	% of equity held	% of net assets by value	Date of latest accounts	Turnover	Profit/(loss) before tax	Net assets/(liabilities)	% of equity held by funds managed by Unicorn Asset Management Limited	Website address
		£'000	£'000	£'000							£'000	£'000	£'000		
Belvoir Lettings Residential property lettings and sales	Jul 2015	975	975	944	Bid price	Ordinary shares	Real Estate investment & services	2.8%	0.8%	31-Dec-14	6,510	1,780	6,990	2.8%	www.belvoirlettingsplc.com
Pressure Technologies High pressure cylinder manufacturing	May 2007	980	700	765	Bid price	Ordinary shares	Industrial engineering	3.2%	0.6%	27-Sep-14	54,020	5,350	36,530	3.2%	www.pressuretechnologies.co.uk
Driver Group Provision of specialist commercial, project planning and dispute resolution services to the construction industry	Apr 2006	552	750	688	Bid price	Ordinary shares	Support services	5.2%	0.6%	30-Sep-14	39,080	3,060	12,090	5.2%	www.driver-group.com
EG Solutions Software solutions to optimise the efficiency of back office operations	Jun 2005	706	800	682	Bid price	Ordinary shares	Software & computer services	4.6%	0.5%	31-Jan-15	7,540	410	5,900	4.6%	www.egsplc.com
Keywords Studios Technical service provider to the global video game industry	Aug 2013	369	369	600	Bid price	Ordinary shares	Support services	0.6%	0.5%	31-Dec-14	30,240	2,690	25,020	0.6%	www.keywordsstudios.com
Hardide Advanced tungsten carbide based metal coatings for internal and external surfaces	Aug 2014	1,000	1,000	594	Bid price	Ordinary shares	Chemicals	5.4%	0.5%	30-Sep-14	3,030	110	3,960	4.7%	www.hardide.com
Omega Diagnostics Medical diagnostics company focused on allergy, food intolerance and infectious disease	Dec 2010	500	500	573	Bid price	Ordinary shares	Healthcare equipment & services	3.9%	0.5%	31-Mar-15	12,110	680	18,810	3.9%	www.omegadiagnostics.com
Vianet (formerly Brulines Group) Provision of real-time monitoring systems and data management services	Oct 2006	584	584	461	Bid price	Ordinary shares	Support services	1.7%	0.4%	31-Mar-15	18,530	1,710	24,770	1.7%	www.vianetplc.com
Dillistone Group Provider of software services to the executive recruitment industry	Jun 2006	356	356	388	Bid price	Ordinary shares	Software & computer services	4.7%	0.3%	31-Dec-14	8,630	1,310	6,530	8.1%	www.dillistonegroup.com
Dods (Group) (formerly Huveaux ) Media group focused on political communication training and publishing	Mar 2013	1,000	1,000	330	Bid price	Ordinary shares	Media	1.2%	0.3%	31-Mar-15	18,300	(4,970)	24,600	1.2%	www.dodsgroupplc.com
APC Technology (formerly Green Compliance) Compliance related business support services	Dec 2009	3,100	3,100	325	Bid price	Ordinary shares	Electronic & electrical equipment	3.9%	0.3%	31-Aug-14	20,630	380	11,390	3.9%	www.apc-plc.co.uk
Tangent Communications Integrator of technology, data and marketing strategies	Dec 2007	963	1,300	296	Bid price	Ordinary shares	Media	8.6%	0.2%	28-Feb-15	26,250	460	31,300	8.6%	www.tangentuk.com
Totally Delivery of care solutions to individuals, business or public bodies	Sep 2015	158	158	279	Bid price	Ordinary shares	Healthcare equipment & services	9.0%	0.2%	31-Dec-14	610	(440)	(140)	9.0%	www.totallyplc.com
PHSC Health & Safety consultancy and training	Mar 2007	253	550	275	Bid price	Ordinary shares	Support services	9.9%	0.2%	31-Mar-15	7,730	500	6,600	9.9%	www.phscplc.co.uk
PhotonStar LED Group Designer and manufacturer of intelligent LED lighting solutions for commercial and architectural markets	Jul 2014	497	497	266	Bid price	Ordinary shares	Household goods & home construction	4.9%	0.2%	31-Dec-14	7,190	(1,570)	5,050	4.9%	www.photonstarled.com
Surgical Innovations Group Design and manufacture of minimally invasive surgical instruments	May 2007	331	643	230	Bid price	Ordinary shares	Healthcare equipment & services	3.9%	0.2%	31-Dec-14	4,030	(9,830)	6,120	3.9%	www.sigroupplc.com
Brady Provider of transaction and risk management software solutions	Dec 2010	112	112	169	Bid price	Ordinary shares	Software & computer services	0.2%	0.1%	31-Dec-14	31,020	1,090	34,370	0.2%	www.bradyplc.com
Eclectic Bar Group Operator of premium bars across the UK	Nov 2013	426	426	168	Bid price	Ordinary shares	Travel & leisure	1.6%	0.1%	28-Jun-15	22,282	(6,243)	3,929	1.6%	www.eclecticbars.co.uk
Grafenia (formerly Printing.com) Franchised High Street print shops	Aug 2004	231	231	150	Bid price	Ordinary shares	Support services	1.6%	0.1%	31-Mar-15	17,000	860	5,950	1.6%	www.grafeniam.com
Augean Treatment and disposal of hazardous waste	Dec 2004	500	500	142	Bid price	Ordinary shares	Support services	3.1%	0.1%	31-Dec-14	54,990	5,930	53,760	3.1%	www.augeanplc.com
Belgravium Technologies Development and supply of rugged, hand-held data capture devices to the logistics sector	Sep 2005	262	350	87	Bid price	Ordinary shares	Technology hardware & equipment	2.5%	0.1%	31-Dec-14	9,410	480	11,660	2.5%	www.belgraviumtechnologies.com

Investment Portfolio Summary

	Date of first investment	Book cost	Original cost	Valuation	Valuation basis	Type of security	Market sector	% of equity held	% of net assets by value	Date of latest accounts	Turnover	Profit/(loss) before tax	Net assets/(liabilities)	% of equity held by funds managed by Unicorn Asset Management Limited	Website address
		£'000	£'000	£'000							£'000	£'000	£'000		
Vitesse Media Media and events company focused on the financial and technology sectors	Nov 2007	160	400	24	Bid price	Ordinary shares	Media	3.2%	0.0%	31-Jan-15	2,260	(30)	1,610	3.2%	www.vitessemedia.co.uk
SnackTime Operator of vending machines	Dec 2008	2,102	2,044	–	Full provision	Ordinary shares	Food & drug retailers	4.2%	0.0%	31-Mar-14	18,811	(8,538)	2,698	4.2%	www.snacktime.com
Fully listed Equities		38,973	38,714	72,576					58.2%						
NCC Group Computer security services	Jan 2011	400	400	2,553	Bid price	Ordinary shares	Software & computer services	0.4%	2.0%	31-May-15	133,700	21,420	131,730	0.4%	www.nccgroup.com
Braemar Shipping Services Ship Brokers	Dec 2006	63	63	52	Bid price	Ordinary shares	Industrial transportation	0.4%	0.1%	28-Feb-15	145,850	4,770	104,270	2.0%	www.braemar.com
Unlisted investments		463	463	2,605					2.1%						
Access Intelligence – Loan stock Compliance software solutions for the public and private sectors	Jun 2009	1,050	1,050	1,050	Cost (Reviewed for impairment)	Loan stock	Software & computer services	N/A	0.8%	30-Nov-14	8,550	(930)	5,590	N/A	www.accessintelligence.com
SnackTime – Loan stock Operator of vending machines	Dec 2008	850	850	250	Cost (Reviewed for impairment)	Loan stock	Food & drug retailers	N/A	0.2%	31-Mar-14	18,811	(8,538)	2,698	N/A	www.snacktime.com
Blue Inc (UK) Fashion retail chain providing affordable, fast fashion predominantly for younger male consumers	Sep 2014	2,000	2,000	2,000	Recent investment price	Ordinary shares	Retail	6.9%	1.6%	31-Dec-13	98,685	(1,056)	3,606	6.9%	www.blueinc.co.uk
The City Pub Company (East) A portfolio of high quality pubs located in cities and major towns in the South East including London	Oct 2013	1,125	1,125	1,416	Asset value	Ordinary shares	Travel & leisure	8.9%	1.1%	28-Dec-14	8,305	(459)	12,408	8.9%	www.citypubcompanyeast.com
The City Pub Company (West) A portfolio of high quality pubs located in cities and major towns in the South East including London	Oct 2013	1,125	1,125	1,416	Asset value	Ordinary shares	Travel & leisure	8.9%	1.1%	28-Dec-14	6,956	(484)	11,894	8.9%	www.citypubcompanywest.com
Interactive Investor On line investment service	Nov 2013	1,250	1,250	1,250	Recent investment price	Ordinary shares	Financial services	11.4%	1.0%	30-Jun-14	14,862	(1,186)	4,047	11.4%	www.iii.co.uk
Heartstone Inns A group of individual Free Houses each with a distinct character in locations across Southern England	Jun 2014	1,113	1,113	1,113	Cost (Reviewed for impairment)	Ordinary shares	Travel & leisure	10.4%	0.9%	31-Dec-14	6,474	(273)	11,865	10.4%	www.heartstoneinns.co.uk
Hasgrove Digital marketing and communication services	Nov 2006	975	1,500	1,063	Realisation proceeds	Ordinary shares	Media	13.1%	0.9%	31-Dec-14	5,362	(577)	6,326	13.1%	www.hasgrove.com
Optimisa Marketing services group providing marketing consultancy and research	Oct 2007	–	403	85	Asset value	Ordinary shares	Media	2.1%	0.1%	31-Dec-14	8,643	1,581	8,072	2.1%	www.optimisapl.com
Centurion Electronics Design and distribution of in car audio-visual entertainment systems	Nov 2002	575	575	–	Full provision	Ordinary shares	Electronic & electrical equipment	0.1%	0.0%	30-Sep-14	2,161	(60)	(1,269)	0.1%	www.centurion-systems.co.uk
		10,063	10,991	9,643					7.7%						
Total qualifying investments		49,499	50,168	84,824					68.0%						
Non-qualifying investments															
OEIC funds managed by Unicorn Asset Management	Dec 2001	4,704	4,686	8,199	Bid price	B shares	OEIC	N/A	6.6%					N/A	www.unicornam.com
Fully listed equities															
Renold	Apr 2010	953	953	2,308	Bid price	Ordinary shares	Industrial engineering	1.5%	1.9%	31-Mar-15	181,400	7,700	11,600	1.5%	www.renold.com
BCA Marketplace	Mar 2015	2,000	2,000	2,283	Bid price	Ordinary shares	Support services	0.2%	1.8%	31-Dec-14	–	(290)	28,660	0.6%	www.bcamarketplace.com
Macfarlane Group	Sep 2010	732	732	1,368	Bid price	Ordinary shares	General industrials	2.3%	1.1%	31-Dec-14	153,770	5,610	30,250	7.1%	www.macfarlanegroup.com
Mears Group	May 2007	867	867	1,260	Bid price	Ordinary shares	Support services	0.3%	1.0%	31-Dec-14	838,740	29,680	194,460	0.5%	www.mearsgroup.co.uk
Communis	Jun 2015	1,045	1,045	1,108	Bid price	Ordinary shares	Support services	1.0%	0.9%	31-Dec-14	343,030	(13,260)	115,710	1.0%	www.communisis.com
Microgen	Sep 2004	699	699	498	Bid price	Ordinary shares	Software & computer services	0.9%	0.4%	31-Dec-14	29,810	5,770	56,490	2.4%	www.microgen.com
Braemar Shipping Services	Dec 2006	535	535	440	Bid price	Ordinary shares	Industrial transportation	0.4%	0.4%	28-Feb-15	145,850	4,770	104,270	2.0%	www.braemar.com

Investment Portfolio Summary

	Date of first investment	Book cost	Original cost	Valuation	Valuation basis	Type of security	Market sector	% of equity held	% of net assets by value	Date of latest accounts	Turnover	Profit/(loss) before tax	Net assets/(liabilities)	% of equity held by funds managed by Unicorn Asset Management Limited	Website address
		£'000	£'000	£'000							£'000	£'000	£'000		
AIM quoted entities															
Wyg	Dec 2013	2,138	2,138	2,280	Bid price	Ordinary shares	Support services	2.9%	1.8%	31-Mar-15	128,680	1,440	22,550	2.9%	www.wyg.com
Pinewood Group	Apr 2015	1,900	1,900	2,128	Bid price	Ordinary shares	Media	0.9%	1.7%	31-Mar-15	75,000	4,970	91,520	1.3%	www.pinewoodshepperton.com
Epwin Group	Jul 2014	1,250	1,250	1,703	Bid price	Ordinary shares	Construction and materials	0.9%	1.4%	31-Dec-14	259,500	18,600	62,800	6.9%	www.epwin.co.uk
Augean	Sep 2004	1,076	1,144	1,477	Bid price	Ordinary shares	Support services	3.1%	1.2%	31-Dec-14	54,990	5,930	53,760	3.1%	www.augeanplc.com
Arbuthnot Banking Group	Jun 2014	1,165	1,165	1,400	Bid price	Ordinary shares	Financial services	0.7%	1.1%	31-Dec-14	N/A	22,520	173,570	4.9%	www.arbuthnotgroup.com
Hayward Tyler Group	Dec 2010	903	903	1,046	Bid price	Ordinary shares	Industrial engineering	3.1%	0.8%	31-Mar-15	48,620	4,360	15,440	3.1%	www.haywardtyler.com
Science Group (formerly Sagentia Group)	Jun 2010	281	281	1,036	Bid price	Ordinary shares	Support services	1.6%	0.8%	31-Dec-14	28,330	4,200	33,450	1.6%	www.sciencegroup.com
Sinclair IS Pharma (formerly IS Pharma)	Mar 2008	704	732	951	Bid price	Ordinary shares	Pharmaceuticals & biotechnology	0.5%	0.8%	30-Jun-14	63,560	(4,440)	117,920	0.5%	www.sinclairpharma.com
Gama Aviation	Nov 2010	751	751	805	Bid price	Ordinary shares	Industrial transportation	1.7%	0.7%	30-Jun-14	64,950	1,490	7,480	1.7%	www.gamaaviation.com
Portmeirion Group	Sep 2010	338	338	671	Bid price	Ordinary shares	Household goods & home construction	0.7%	0.6%	31-Dec-14	61,370	7,610	33,050	0.7%	www.portmeiriongroup.com
Alkane Energy	Sep 2014	513	513	476	Bid price	Ordinary shares	Alternative energy	0.8%	0.4%	31-Dec-14	15,960	3,210	44,070	0.8%	www.alkane.co.uk
Driver Group	Aug 2006	561	562	402	Bid price	Ordinary shares	Support services	5.2%	0.3%	30-Sep-14	39,080	3,060	12,090	5.2%	www.driver-group.com
Dillistone Group	Jun 2006	197	195	300	Bid price	Ordinary shares	Software & computer services	4.7%	0.2%	31-Dec-14	8,630	1,310	6,530	8.1%	www.dillistonegroup.com
Tangent Communications	Apr 2007	454	454	296	Bid price	Ordinary shares	Media	8.6%	0.2%	28-Feb-15	26,250	460	31,300	8.6%	www.tangentuk.com
Caretech Holdings	Mar 2010	400	400	243	Bid price	Ordinary shares	Healthcare equipment & services	0.2%	0.2%	30-Sep-14	123,300	12,490	109,160	0.2%	www.caretech-uk.com
IQE	May 2011	187	187	149	Bid price	Ordinary shares	Technical hardware & equipment	0.1%	0.1%	31-Dec-14	112,010	5,240	121,180	0.1%	www.iqep.com
James Halstead	May 2015	121	121	143	Bid price	Ordinary shares	Construction & materials	0.0%	0.1%	30-Jun-15	227,260	44,180	106,460	2.0%	www.jameshalstead.com
Other AIM listed entities each valued at less than £60k		269	270	116	Bid price	Ordinary shares	Other AIM listed	0.1%	0.1%						
Unlisted Investments															
The City Pub Company (East)	Jul 2015	1,000	1,000	1,000	Cost (Reviewed for impairment)	Preference shares	Travel & leisure	N/A	0.8%	28-Dec-14	8,305	(459)	12,408	8.9%	www.thecitypubcompanyeast.com
The City Pub Company (West)	Jul 2015	1,000	1,000	1,000	Cost (Reviewed for impairment)	Preference shares	Travel & leisure	N/A	0.8%	28-Dec-14	6,956	(484)	11,894	8.9%	www.thecitypubcompanywest.com
APC Technology – Loan stock	Jul 2012	250	250	125	Cost (Reviewed for impairment)	Loan stock	Electronic & electrical equipment	N/A	0.1%	31-Aug-14	20,630	380	11,390	N/A	www.apc-plc.co.uk
Interactive Investor	Nov 2013	2,197	2,197	2,547	Recent investment price	Ordinary shares	Financial services	11.4%	2.0%	30-Jun-14	14,862	(1,186)	4,047	11.4%	www.iii.co.uk
Unlisted equities	N/A	210	210	–	Full provision	Ordinary shares									
Total non-qualifying investments		29,400	29,478	37,758				30.3%							
Total non-current investments		78,899	79,646	122,582				98.3%							
Current assets				2,320				1.9%							
Current liabilities				(286)				(0.2%)							
Net assets				124,616				100.0%							

Original cost is the amount invested in each investee company by the Company and Unicorn AIM VCT II plc.

# Board of Directors

## Peter Dicks

**Status:** Independent, non-executive Chairman.

**Age:** 73.

**Experience:** Peter Dicks was a founder director, in 1973, of Abingworth plc, a successful venture capital company. He is currently a director of a number of quoted and unquoted companies, including Graphite Enterprise Trust plc, Mears Group plc, Interactive Investor plc and Private Equity Investor plc. In addition, he is a director of Foresight VCT plc, Foresight 2 VCT plc, Foresight 3 VCT plc and Foresight 4 VCT plc.

**Length of service as at 30 September 2015:** Fourteen years.

**Last re-elected to the Board:** 12 February 2015.

**Committee memberships:** Audit Committee.

**Remuneration 2014/15:** £25,500.

**Relevant relationships with the Investment Manager or other service providers:** None.

**Relevant relationships with investee companies:** Non-executive director and shareholder of Mears Group plc and a director of Interactive Investor plc. Shareholder of Brady plc.

**Shared directorships with other Directors:** Director of Foresight VCT 2 plc, of which Jocelin Harris is the chairman.

**Shareholding in the Company:** 151,131 Ordinary shares.

## James H Grossman

**Status:** Independent, non-executive Director.

**Age:** 76.

**Experience:** James Grossman is an international business lawyer and arbitrator with over 35 years' experience in mergers and acquisitions and venture capital transactions. He is a director of Applaud Inc., a medical device company based in San Francisco, Mendocina Brewery Co. Inc., a publicly traded brewery company based in Northern California and a director of JHG Solar Limited a tax advantaged solar company based in the United Kingdom.

**Length of service as at 30 September 2015:** Six years, eight months

**Last re-elected to the Board:** 7 February 2013

**Committee memberships:** Audit Committee.

**Remuneration 2014/15:** £20,400

**Relevant relationships with the Investment Manager or other service providers:** None.

**Relevant relationships with investee companies:** Shareholder in Anpario plc, Crawshaw Group plc and Tristel plc.

**Shared directorships with other Directors:** None.

**Other public company directorships (not disclosed above):** None.

**Shareholding in the Company:** Beneficial holder of 8,000 Ordinary shares (held in trust).

## Jeremy Hamer

**Status:** Independent, non-executive Director.

**Age:** 63.

**Experience:** Jeremy Hamer is a chartered accountant who spent 16 years in industry before spending five years as a VCT investment manager. Currently, he is the Non-Executive Chairman of SnackTime plc and also has a portfolio of non-executive director roles particularly with AIM listed companies, such as Avingtrans plc and SQS Software Quality Systems AG. He is also a qualified executive coach.

**Length of service as at 30 September 2015:** Five years, six months.

**Last re-elected to the Board:** 10 January 2014.

**Committee memberships:** Audit Committee (Chairman).

**Remuneration 2014/15:** £22,950.

**Relevant relationships with the Investment Manager or other service providers:** None.

**Relevant relationships with investee companies:** Non-Executive Chairman and shareholder of SnackTime plc, director and shareholder of Avingtrans plc and shareholder of Access Intelligence plc, each an investee company.

**Shared directorships with other Directors:** None.

**Other public company directorships (not disclosed above):** None.

**Shareholding in the Company:** 28,254 Ordinary shares.

## Jocelin Harris

**Status:** Senior Independent, non-executive Director.

**Age:** 70.

**Experience:** Jocelin Harris is a qualified solicitor and runs Durrington Corporation Limited, where he has worked since 1986. Durrington provides management and financial support services to small and developing businesses. He was previously a director of a private bank in the City. He is currently the Chairman of Foresight 2 VCT plc and also a non-executive chairman or director of a number of private companies in the United Kingdom and the USA.

**Length of service as at 30 September 2015:** Nine years, five months

**Last re-elected to the Board:** 7 February 2013.

**Committee memberships:** Audit Committee.

**Remuneration 2014/15:** £22,950.

**Relevant relationships with the Investment Manager or other service providers:** None

**Relevant relationships with investee companies:** beneficial interest in Mears Group plc, Interactive Investor and Vianet Group.

**Shared directorships with other Directors:** Chairman of Foresight VCT 2 plc, of which Peter Dicks is also a director.

**Other public company directorships (not disclosed above):** None.

**Shareholding in the Company:** 80,350 Ordinary shares.



# Directors' Report

The Directors present the fourteenth Annual Report and Accounts of the Company for the year ended 30 September 2015 (the "Annual Report").

## The Directors

Throughout the year the Board consisted of four Directors as outlined on page 26. All of the current Directors are non-executive and are independent of the Investment Manager.

The Company, being fully listed on the London Stock Exchange, is required to comply with the Financial Reporting Council's UK Corporate Governance Code. In accordance with the Code, the Company is required to be headed by an effective Board of Directors, providing entrepreneurial leadership within a framework of prudent and effective controls.

Under the Listing Rules and continuing obligations of the London Stock Exchange, the Directors and the Investment Manager are required to have sufficient and satisfactory experience in the management of a portfolio of investments of the size and type in which the Company proposes to invest.

The names and brief biographical details on each of the Directors are given on page 26 of this Annual Report. The letters of appointment of all the Directors will be available for inspection at the Annual General Meeting.

Peter Dicks, James Grossman and Jocelin Harris will be subject to re-election by Shareholders at the forthcoming Annual General Meeting on 11 February 2016. James Grossman has informed the Board that he intends to stand down as a Director at the Company's AGM in 2017. During the forthcoming year the Board intends to progress the appointment of a successor to Mr Grossman with the intention that the successor joins the Board before his retirement.

The AIC Code of Corporate Governance ("the AIC Code") recommends that where directors have served the Company for nine or more years, they should be subject to annual re-election. Having served for fourteen years and nine years respectively, in accordance with the AIC Code, Peter Dicks and Jocelin Harris will retire and offer themselves for re-election annually. Following a review of their performance, the Board agreed that Peter Dicks and Jocelin Harris continue to make a substantial contribution to the Board as Chairman and Senior Independent Director respectively and that their length of service was an asset to the Company. The remaining Directors have no hesitation in recommending their re-election to Shareholders.

## Share Capital

At the year-end there were 80,080,231 (2014: 64,168,112) Ordinary shares of 1p each in issue none of which are held in Treasury. The issues and buybacks of the Company's shares during the year are shown in note 14 on page 54. Subsequent to the year end, the Company bought back 100,000 shares. At the date of this report the Company therefore had 79,980,231 shares in issue. All shares are listed on the main market of the London Stock Exchange.

## Directors' Indemnities and Liability Insurance

The Company has, as permitted by the Companies Act 2006 and the Company's Articles of Association, maintained Directors and Officers Indemnity insurance cover on behalf of the Directors indemnifying them against all costs, charges, losses, damages and liabilities incurred for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company or in connection with the activities of the Company. The policy does not provide cover for fraudulent or dishonest actions by the Directors. Save for the indemnity provisions contained in the Articles of Association and the Directors' letters of appointment, there are no qualifying third party indemnities.

## Companies Act 2006 and Disclosure & Transparency Rules ("DTRs") Disclosures

In accordance with Schedule 7 of the Large and Medium Size Companies and Groups (Accounts and Reports) Regulations 2008 and the DTRs, the Directors disclose the following information:

- The structure of the Company's capital is summarised above and in Note 14 and the voting rights are contained on pages 37 and 38. There are no restrictions on voting rights or any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights.
- There are no securities carrying special rights with regard to the control of the Company.
- The Company does not operate an employee share scheme.
- The Company's Articles of Association and the Companies Act 2006 contain provisions relating to the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares.
- No agreements exist to which the Company is a party that may affect its control following a takeover bid.
- There are no agreements in place between the Company and its Directors providing for compensation for loss of office in the event of the Company being taken over.

Details of the financial risk management objectives and policies of the Company are contained in Note 19.

## Global greenhouse gas emissions

The Company has no direct greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

## Alternative Investment Funds Manager's Directive ("AIFMD")

The Company registered as a small Alternative Investment Manager with the Financial Conduct Authority ("FCA") and is subject to the reduced level of requirements under the

# Directors' Report

Alternative Investment Fund Manager's Regulations 2013 (SI2013/1773).

If the Company becomes "leveraged" as defined in the Regulations, it may become subject to the full requirements under the Regulations including the requirement to appoint a Depositary which may have material cost implications for the Company. The Company has no present plans to become a full scope Alternative Investment Fund.

## Outlook

The likely future developments are discussed in the Outlook section of the Chairman's Statement on page 3.

## Going concern

After due consideration, the Directors believe that the Company has adequate resources for the foreseeable future and that it is appropriate to apply the going concern basis in preparing the financial statements. As at 30 September 2015, the Company held cash balances with a value of £1.95 million. The majority of the Company's investment portfolio remains invested in fully listed and AIM quoted equities which may be realised, subject to the need for the Company to maintain its VCT status. Cash flow projections covering a period of at least twelve months from the date of approving the financial statements have been reviewed and show that the Company has sufficient funds to meet both contracted expenditure and any discretionary cash outflows from buybacks and dividends. The Company has no external loan finance in place and is therefore not exposed to any gearing covenants.

## Auditor's right to information

So far as the Directors are aware, there is no relevant audit information of which the Auditor is unaware. They have individually taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

## Substantial interests

As at 10 December 2015, the Company had not been notified of any significant interest exceeding 3% of the issued share capital.

## Post balance sheet events

On 10 November 2015, the Company repurchased 100,000 Ordinary Shares, representing 0.12% of the share capital in issue, for cancellation at a total cost of £143,000 equivalent to 143.0 pence per share.

As discussed in the Chairman's Statement on page 2, Royal Assent of the new regulations covering VCT qualifying investment was received on 18 November 2015.

Shareholders of Rensburg AIM VCT PLC voted in favour of the merger with the Company at a General Meeting held on 27 November 2015, and subject to the remaining Rensburg shareholders approving the resolutions to be proposed at a second General Meeting called for 12 January 2016, the Company is expecting to complete the merger during January 2016.

## Annual General Meeting

A notice for the Annual General Meeting of the Company to be held at 11.30am on 11 February 2016 at The Great Chamber, The Charterhouse, Suttons Hospital, Charterhouse Square, London EC1M 6AN is set out on pages 63 to 66 of this Annual Report and a proxy form is included with Shareholders' copies of this Annual Report. The following notes provide an explanation of a number of the Resolutions that will be proposed at the meeting. Resolutions 1 to 9 will be proposed as ordinary resolutions requiring the approval of more than 50% of the votes cast at the meeting to be passed and Resolutions 10 to 12 will be proposed as special resolutions requiring the approval of more than 75% of the votes cast at the meeting to be passed. Resolutions 9 to 11 are the usual resolutions that have been obtained in previous years and are in substitution for existing authorities, Resolutions 9 and 10 being intended, inter alia, to enable the issue of shares pursuant to any offer for subscription. The Directors believe that the proposed resolutions are in the interests of Shareholders and accordingly recommend Shareholders to vote in favour of each resolution.

## Ordinary Business at the Annual General Meeting

### Re-appointment of Auditors

Resolution 3 proposes the re-appointment of BDO LLP as the Company's External Auditor for the forthcoming year and the authority proposed under Resolution 4 will authorise the Directors to determine the auditor's remuneration.

### Re-appointment of Directors

The notice of the meeting includes resolutions to re-appoint Peter Dicks, Jocelin Harris and James Grossman as Directors of the Company. The Board believes that they all bring valuable skill, experience and expertise to the Company and recommends that Shareholders vote in favour of the resolutions relating to their re-election.

## Special Business at the Annual General Meeting

### Allotment of shares

The authority proposed under Resolution 9 will authorise the Directors to allot shares or grant rights to subscribe for or to invest in shares in the Company generally, in accordance with section 551 of the Companies Act 2006 (the "Act"), up to an aggregate nominal amount of £399,901 representing 50% of



the issued share capital at the date of this report. This authority, will expire on the date falling 15 months after the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2017.

### **Disapplication of pre-emption rights**

Resolution 10 will give Directors the general authority to allot Ordinary Shares for cash without first offering the securities to existing Shareholders in certain circumstances. The resolution proposes that the disapplication of such pre-emption rights be sanctioned in respect of the allotment of equity securities:

- i) with an aggregate nominal value of £319,920, representing 40% of the issued share capital at the date of this report, in connection with offer(s) for subscription; and
- ii) with an aggregate nominal value of up to, but not exceeding, 10% of the issued share capital of the Company from time to time

in each case where the proceeds of the issue may be used in whole or in part to purchase the Company's shares in the market.

The authority conferred under this resolution, will expire on the date falling 15 months after the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting to be held in 2017.

### **Authority for the Company to purchase its own shares**

Resolution 11 authorises the Company to purchase up to 11,989,036 of its own shares (representing approximately 14.99% of the Company's shares in issue at the date of this Annual Report). Purchases will be made on the open market at prices in accordance with the terms laid out in Resolution 11. Shares will be purchased only in circumstances where the Board believes that they are in the best interests of the Shareholders generally. Furthermore, purchases will only be made if the Board believes that they would result in an increase in NAV per share and earnings per share. The Board currently intends to cancel those shares. Such authority would expire at the conclusion of the Annual General Meeting of the Company to be held in 2017.

At the Annual General Meeting held on 12 February 2015 Shareholders gave authority for the Company to buy back a total of 10,191,101 of its own shares. The Company has since repurchased and cancelled 784,000 shares and therefore has remaining authority to repurchase 9,407,101 shares.

### **Cancellation of Share Premium and Capital Redemption Reserves**

One of the main principles of company law is that the capital of a company should be maintained and, therefore, a company with share capital must obtain property consideration for the shares that it issues and must not return funds which have been subscribed for shares except in certain prescribed ways. The principle of maintenance of capital underlies various provisions of the Act – for example, a company may only make distributions to its members out of distributable profits and a company may only buy back its own shares in limited circumstances.

A company can, however, reduce its share capital in circumstances where creditors will not be adversely affected, provided that the company complies with certain procedural requirements. The Act provides that a company may reduce its capital by special resolution, subject to confirmation by the Court. A special reserve will then be created from the sums set free from such a cancellation which can be regarded as a distributable reserve.

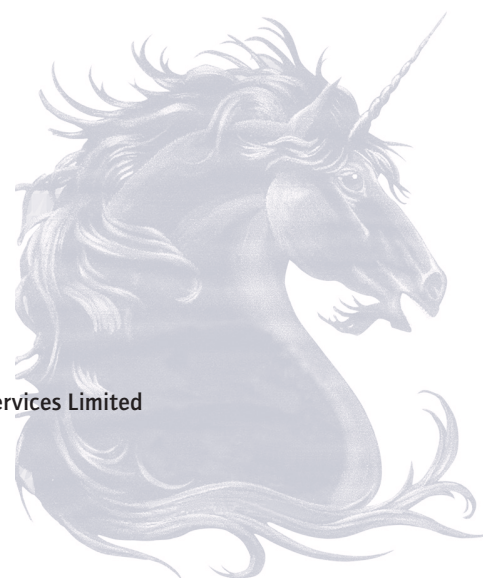
The Company has completed previous cancellations of its share premium and capital redemption reserves and the special reserve created by such cancellations has enhanced the ability of the Company to make distributions and buy back Shares.

The Board considers it prudent to take the opportunity to seek the approval of Shareholders pursuant to Resolution 12 for the cancellation of the share premium account and the capital redemption reserve (subject to the sanction of the Court).

The sums set free by the proposals above would create further distributable reserves to fund distributions to Shareholders and buybacks, to set off or write off losses and for other distributable and corporate purposes of the Company. The Board will seek Court approval of this resolution as and when required, and will only use such reserves taking into account the VCT restrictions on returns of capital.

By order of the Board

**ISCA Administration Services Limited**  
*Company Secretary*  
11 December 2015



# Directors' Remuneration Report

This Directors' Remuneration Report has been prepared by the Directors in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 and the Companies Act 2006. The Company's Independent Auditor is required to give its opinion on the specified information provided on Directors' emoluments (see below) and this is explained further in their report to Shareholders on pages 40 to 42. Shareholders are encouraged to vote on the Remuneration Report annually at the AGM and on the Remuneration Policy at least every three years. The Board will take Shareholders' views into consideration when setting remuneration.

## Statement from the Chairman of the Board in relation to Directors' Remuneration Matters

The Board is mindful of its obligation to set remuneration at levels which will attract and maintain an appropriate calibre of individuals whilst simultaneously protecting the interests of Shareholders.

During the year to 30 September 2015, the Board reviewed its existing remuneration levels, having considered the substantial increase in the Company's net assets, the remuneration payable to non-executive directors of comparable VCTs, and the increasing regulatory requirements with which the sector is required to comply. Following this review, the Board agreed to increase Directors' fees by approximately 9% from 1 October 2015. For the year ended 30 September 2016, Directors' fees will be increased to £27,800 for the Chairman of the Board, £25,000 for the Chairman of the Audit Committee and the Senior Independent Director and £22,250 for the other Director.

## Annual Remuneration Report

The purpose of this Report is to demonstrate the method by which the Board has implemented the Company's Remuneration Policy (see page 31) and provide Shareholders with specific information in respect of the Directors' remuneration. A resolution to approve the Remuneration Report will be put forward at the 2016 AGM, where Shareholders will have an advisory vote on the approval of the Report.

At the Annual General Meeting held on 12 February 2015, the following votes were cast on the Remuneration Report:

	Number of votes	% of votes cast
For	4,406,570	90.1%
Against	229,207	4.7%
At Chairman's discretion	253,476	5.2%
Total votes cast	4,889,253	100.0%
Number of votes withheld	104,796	

The Remuneration Policy was approved by the Shareholders at the Annual General Meeting held on 10 January 2014 and will remain in force for three years unless Shareholders approve an amendment.

Votes cast were as follows:

	Number of votes	% of votes cast
For	2,705,769	89.3%
Against	143,272	4.7%
At Chairman's discretion	182,804	6.0%
Total votes cast	3,031,845	100.0%
Number of votes withheld	107,876	

## Directors' interests (audited information)

The Directors' interests, including those of connected persons in the issued share capital of the Company are outlined below. There is no minimum holding requirement that the Directors need to adhere to.

Director	30 September 2015		30 September 2014	
	Shares	% of share capital	Shares	% of share capital
Peter Dicks	151,131	0.19%	103,690	0.16%
James Grossman	5,000	0.01%	5,000	0.01%
Jeremy Hamer	28,254	0.04%	28,254	0.04%
Jocelin Harris	80,350	0.10%	50,000	0.08%

James Grossman acquired an additional 3,000 shares on 17 November 2015.

There have been no other changes in the Directors' interests since 30 September 2015. No options over the share capital of the Company have been granted to the Directors.

Details of the Directors' remuneration are disclosed below and in the Notes to the Accounts.

## Pensions (audited information)

None of the Directors receive pension benefits from the Company.

## Share options and long-term incentive schemes (audited information)

The Company does not grant any options over the share capital of the Company nor operate long-term incentive schemes.

## Directors' emoluments (audited information)

The total emoluments in respect of qualifying services of each person who served as a Director during the year are as set out in the table below. The Company does not have any schemes in place to pay bonuses or benefits to any of the Directors in addition to their Directors' fees. Peter Dicks, Jocelin Harris and Jeremy Hamer are entitled to a higher fee due to their roles as Chairman, Senior Independent Director and Audit Committee Chairman, respectively.

The table below sets out in respect of the financial year ended 30 September 2015 and the preceding financial year:

The remuneration paid to the Directors; and distributions made to Shareholders by way of a dividend.

	Year ended 30 September 2015 £	Year ended 30 September 2014 £	Growth %
Total remuneration	91,800	90,000	2.0%
Dividend paid	4,206,000	3,555,000	18.3%

	Total Directors' fees and expenses Year ended 30 September 2015 £	Year ended 30 September 2014 £
Peter Dicks	25,500	25,000
James Grossman	20,400	20,000
Jeremy Hamer	22,950	22,500*
Jocelin Harris	22,950	22,500
<b>TOTAL</b>	<b>91,800</b>	<b>90,000</b>
<b>Expenses</b>	<b>414</b>	<b>777</b>
	<b>92,214</b>	<b>90,777</b>

\*£16,320 (2014: £16,000) of Jeremy Hamer's fee was paid to his consultancy business Fin Dec Limited

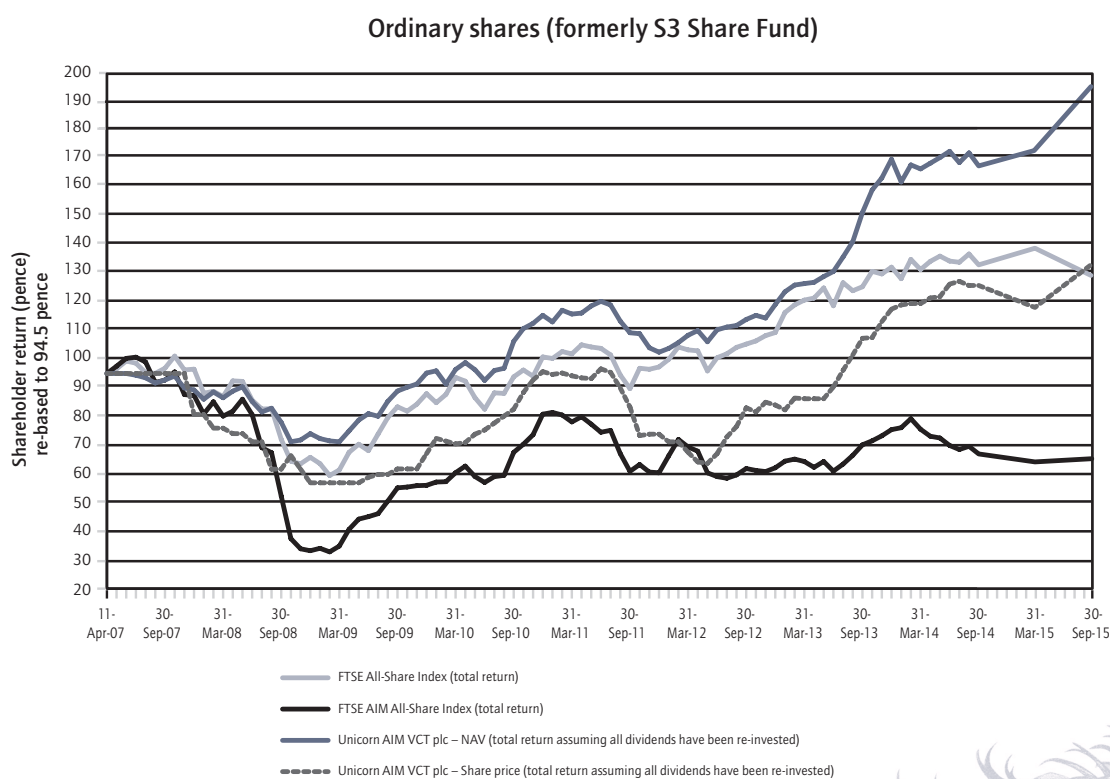
### Total Shareholder return performance graph

The following graph charts the total cumulative shareholder return of the Company since the new Ordinary shares (formerly S3 Shares) were first admitted to the Official List of the UK Listing Authority on 11 April 2007 (assuming all dividends are re-invested) compared to the total cumulative shareholder return of both the FTSE All-Share and the FTSE AIM All-Share Indices. These indices represent the broad equity market against which investors can measure the performance of the Company and are

thus considered the most appropriate benchmarks. The NAV total return per share has been shown separately in addition to the information required by law because the Directors believe it is a more accurate reflection of the Company's performance.

In the graph below, the total Shareholder return figures have been rebased to 94.5 pence, which was equivalent to the opening NAV per share of the Company after issue costs.

### Total cumulative Shareholder return since launch compared to the total return of the FTSE All-Share and FTSE AIM All-Share indices



An explanation of the performance of the Company is given in the Chairman's Statement on pages 2 and 3, in the Strategic Report on pages 4 to 10 and in the Investment Manager's Review on pages 11 to 17.

### Remuneration Policy

As the Board consists entirely of non-executive directors it is considered appropriate that matters relating to remuneration are considered by the Board as a whole, rather than a separate remuneration committee. The remuneration policy is set by the Board, which reviews and considers whether the remuneration policy is fair and in line with comparable VCTs, together with the remuneration of each of the Directors at least annually.

When considering the level of the Directors' remuneration, the Board reviews existing remuneration levels elsewhere in the Venture Capital Trust sector and other relevant information. It considers the levels and make-up of remuneration which need to be sufficient to attract, retain and motivate directors of the quality required to oversee the running of the Company successfully.

The remuneration levels are designed to reflect the duties and responsibilities of the roles and the value of time spent in carrying these out. The Board will obtain independent advice where it considers it necessary. No such advice was taken during the year under review. This policy would be used when agreeing the remuneration of any new Director.

# Directors' Remuneration Report

## Basis of Remuneration

All of the Directors are considered to be independent and non-executive and it is not considered appropriate to relate any portion of their remuneration to the performance of the Company and performance conditions have not been set in determining their level of remuneration. As the Company has no employees, it is not possible to take account of the pay and employment conditions of employees when determining the levels of the Directors' remuneration. This approach to remuneration would

also be used when recruiting any new directors. The Company's Articles of Association limit the aggregate amount that can be paid to the Directors in fees to £120,000 per annum.

The table below shows the expected maximum payment that can be received per annum by each Director for the year to 30 September 2016, together with a summary of the Company's strategy and how this is supported by the current remuneration policy.

Director	Role	Components of Pay Package	Expected fees for the year to 30 September 2016*	Performance conditions	Company Strategy	Remuneration Policy
Peter Dicks	Chairman	Basic fee	£27,800	None	To invest in companies which have a demonstrable record of profitability and positive cash generation.	The levels of remuneration are considered to be sufficient to attract, retain and motivate directors with the required ability to review and challenge the Investment Manager's performance in implementing the Company's strategy.
James H Grossman	Director		£22,250			
Jeremy Hamer	Chairman of the Audit Committee		£25,000			
Jocelin Harris	Senior Independent Director		£25,000			

\* As stated on page 30, following a review of fees payable to Directors, the Board has approved an increase of 9% per annum for each of the current Directors with effect from 1 October 2015.

## Terms of Appointment

All of the Directors are non-executive and none of the Directors has a service contract with the Company. Part of the fee payable to Jeremy Hamer is paid via his consultancy company and a separate agreement has been entered into with that company.

All Directors receive a formal letter of appointment setting out the terms of their appointment, the powers and duties of Directors and the fees pertaining to the appointment. Appointment letters for new Directors contain an assessment of the anticipated time commitment of the appointment and Directors are asked to undertake that they will have sufficient time to meet what is expected of them and to disclose their other significant commitments to the Board before appointment. Copies of the letters appointing the Directors are made available for inspection at each General Meeting of the Company and on application to the Company Secretary.

A Director's appointment may be terminated on three months' notice being given by the Company and in certain other circumstances. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office.

By order of the Board

**ISCA Administration Services Limited**  
*Company Secretary*  
 11 December 2015



# Corporate Governance Statement

The Directors have adopted the Association of Investment Companies ("AIC") Code of Corporate Governance 2013 (the "AIC Code") for the financial year ended 30 September 2015. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide as outlined above, will provide the most appropriate information to Shareholders.

The AIC Code has been endorsed by the Financial Reporting Council ("FRC") which has confirmed that in complying with the AIC Code, the Company will meet its obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules. The AIC Code is available online at: [www.theaic.co.uk](http://www.theaic.co.uk)

A copy of the UK Code can be found at [www.frc.org.uk](http://www.frc.org.uk)

This statement has been compiled in accordance with the FCA's Disclosure and Transparency Rule (DTR) 7.2 on Corporate Governance Statements.

The Board considers that the Company has complied fully with the AIC Code and the relevant provisions of the UK Code, as set out below.

## Compliance with the UK Code

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code 2014 except where noted below. There are certain areas of the UK Code that the AIC does not consider relevant to investment companies, and with which the Company does not specifically comply, for which the AIC Code provides dispensation. These areas are as follows:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

As an investment company managed by third parties, the Company does not employ a Chief Executive, nor any executive Directors. The systems and procedures of the Investment Manager and the Administrator, the provision of VCT monitoring services by PwC, and the annual statutory audit as well as the size of the Company's operations, gives the Board confidence that an internal audit function is not appropriate. The Company is therefore not reporting further in respect of these areas.

The Board has further considered the principles of the UK Code and believes that the Company has complied with the provisions thereof for the year under review, except as outlined above.

## The Board

Throughout the year The Board comprised four non-executive Directors. Each brings a range of relevant expertise, experience and judgement to the Board. Jocelin Harris is the Senior Independent Director. Shareholders should initially contact the Company Secretary if they have concerns. Shareholders may then contact Mr Harris if they have concerns which have failed to be resolved through the Chairman or Investment Manager or where such contact is inappropriate. The Directors believe that this structure is right for the Company given its current size and the nature of its business.

Details of the Chairman's other significant time commitments are disclosed on page 26 of this Annual Report.

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

Matters specifically reserved for decision by the Board have been defined. These include compliance with the requirements of the Companies Act, the UK Listing Authority, AIFMD, the London Stock Exchange and UK Accounting Standards; changes relating to the Company's capital structure or its status as a public limited company; Board and committee appointments and terms of reference of committees; material contracts of the Company and contracts of the Company not in the ordinary course of business. The Board as a whole considers management engagement, nomination and remuneration matters rather than delegating these to committees, as all of the current Directors are considered independent of the Investment Manager. Management engagement matters include an annual review of the Company's service providers, with a particular emphasis on reviewing the Investment Manager in terms of investment performance, quality of information provided to the Board and remuneration. The Board as a whole considers Board and Committee appointments and the remuneration of individual Directors.

A procedure has been adopted for individual Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors also have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring board procedures are followed. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. Where Directors have concerns which cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in the Board minutes. If ultimately a Director feels it necessary to resign, a written statement should be provided to the Chairman, for circulation to the Board.

# Corporate Governance Statement

## Director's attendance at Board and Committee meetings

The table below details the formal Board and Audit Committee meetings attended by the Directors during the year. Four regular Board meetings and four Audit Committee meetings were held during the year. Additional ad-hoc meetings were held where necessary during the year.

Director	Board	Audit Committee
Peter Dicks	4	4
James H Grossman	4	4
Jeremy Hamer	4	4
Jocelin Harris	4	4

## Tenure

All Directors are subject to election by Shareholders at the first AGM following their appointment. Each Director retires by rotation at an AGM if they have held office as a Director at the two immediately preceding AGMs and did not retire at either of those meetings in accordance with the Articles of Association.

	Date of appointment	Last retirement by rotation/ re-election	Next retirement by rotation/ re-election due
Peter Dicks	1 October 2001	AGM 12 February 2015	AGM 2016
James H Grossman	15 January 2009	AGM 7 February 2013	AGM 2016
Jeremy Hamer	9 March 2010	AGM 10 January 2014	AGM 2017
Jocelin Harris	25 April 2006	AGM 7 February 2013	AGM 2016

In terms of overall length of tenure, the AIC Code does not explicitly make recommendations. Some market practitioners feel that considerable length of service (which has generally been defined as a limit of 9 years) may lead to the compromise of a Director's independence. The Board does not believe that a Director should be appointed for a finite period. Peter Dicks has now served the Company for fourteen years and Jocelin Harris has served nine years and the Board considers that they remain independent of the Investment Manager as they continue to offer independent, professional judgement and constructive challenge of the Investment Manager. In accordance with the AIC Code, however, Peter Dicks and Jocelin Harris will offer themselves for re-election annually. James Grossman will retire by rotation and offers himself for re-election.

## Independence of Directors

The Board has considered whether each Director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement and has concluded that, all of the Directors are independent of the Investment Manager. Peter Dicks is a non-executive director and shareholder in Mears Group plc and Interactive Investor, two of the Company's investee companies. Jocelin Harris has a beneficial interest in Mears Group plc, Interactive Investor and Vianet Group. James Grossman has a shareholding in Anpario plc, Crawshaw Group plc and Tristel plc. Jeremy Hamer is the non-executive Chairman of SnackTime plc, holding 0.4% of the issued share capital and is also a director of the investee company Avingtrans plc, holding 0.4% of its respective share capital, and a shareholder in Access Intelligence plc.

The Directors who were independent of each conflict noted above, considered the circumstances and agreed that all of the relevant Directors in each case remained independent of the Investment Manager. This is because these relationships were not of a material size to their assets and other business activities nor to those of the Company. There are no other contracts or investments in which the Directors have declared an interest.

The above conflicts, along with other potential conflicts, have been reviewed by the Board in accordance with the procedures under the Articles of Association and applicable rules and regulations and have been authorised by the Board in accordance with these procedures. The Articles allow the Directors not to disclose information relating to a conflict where to do so would amount to a breach of confidence. The Board places great emphasis on the requirement for the Directors to disclose their interests in investments (and potential investments) and has instigated a procedure whereby a Director declaring such an interest does not participate in any decisions relating to such investments. The Directors inform the Board of changes to their other appointments as necessary. The Board reviews the authorisations relating to conflicts annually.

Appointment letters for new Directors include an assessment of the expected time commitment for each Board position and new Directors are asked to give an indication of their other significant time commitments. The Board would adopt a formal process of recruitment in the event of an appointment of new Directors. The Board believes that diversity of experience and approach, including gender diversity, amongst Board members is of great importance and it is the Company's policy to give careful consideration to issues of Board balance and diversity when making new appointments. Although formal targets for gender mix are not considered appropriate, the selection process involves interviews with the Board and meetings with representatives of members of the Investment Manager. New Directors are provided with an induction pack and an induction session is arranged in conjunction with the Board, the Investment Manager and the Administrator. Directors are also regularly provided with key information on the Company's policies and legal and regulatory developments. The Directors also regularly participate in industry seminars.

The Board aims to include a balance of skills and experience that the Directors believe to be appropriate to the management of the Company. The Chairman fully meets the independence criteria as set out in the AIC Code. The effectiveness of the Board and the Chairman is reviewed annually as part of the internal control process led by the Board. During the year the Board also carried out a performance evaluation by way of an independent third party review which, considered performance in relation to specific headings such as, balance of skills, experience, independence and knowledge of the Company. No deficiencies were identified in this process.

The Senior Independent Director evaluates all responses and provides feedback to the Board. In the year under review, he concluded that the composition and performance of the Board was effective. The Directors monitor the continuing independence of the Chairman and inform him of their discussions.



All of the Directors are involved at an early stage in the process of structuring the launch of any Offers that may be agreed by the Board.

## Management

### *Investment Manager*

Unicorn Asset Management Limited was appointed as Investment Manager to the Company on 1 October 2001. This agreement was amended on 9 March 2010 and again on 12 April 2010. Under the terms of the Company's Investment Management Agreement with Unicorn Asset Management Limited, the Investment Manager is empowered to give instructions in relation to the management of investments and other assets including subscribing, purchasing, selling and otherwise dealing in qualifying and non-qualifying investments and to enter into and perform contracts, agreements and other undertakings that are necessary to the carrying out of its duties under the Agreement in accordance with specific written arrangements laid down by the Board. Board approval is required before any investment is made in unquoted investments.

The Investment Manager reviews investee company voting requirements as necessary and maintains a policy of automatically voting in favour of resolutions proposed at investee company General Meetings unless there are circumstances where the Company's interests may be adversely affected.

The Directors regularly review the investment performance of the Investment Manager. Terms of the investment services agreement and policies with the Investment Manager covering key operational issues are reviewed at least annually. The Board believes that the continued appointment of the Investment Manager remains in Shareholders' best interests and the investment criteria remain appropriate. Furthermore, the Board remains satisfied with the Investment Manager's investment performance. For a summary of the performance of the Company please see the Investment Manager's Review and the Investment Portfolio Summary on pages 11 to 25 and the Financial Highlights on page 1. Details of the management fee and incentive fee arrangements with the Investment Manager are set out in Note 3 to the accounts on page 48. The Board and the Investment Manager aim to operate in a co-operative and open manner notwithstanding the Board maintaining its oversight obligations.

### *Company Secretary and Company Administrator*

ISCA Administration Services Limited was appointed as the Company Secretary and Administrator under a contract dated 1 September 2014.

### *Corporate Broker*

The Company has retained Panmure Gordon (UK) Limited as its corporate broker.

### *VCT status monitoring*

The Company has retained PwC to advise on an ongoing basis its compliance with the legislative requirements relating to VCTs. PwC review new investment proposals as appropriate and carry out regular reviews of the Company's investment portfolio.

## Internal controls

The Board is responsible for the Company's internal financial controls and internal control and risk management systems. It has delegated the monitoring of these systems, on which the Company is reliant, to the Audit Committee (the "Committee").

Internal control systems are designed to manage the particular needs of the Company and the risks to which it is exposed and can by their nature only provide reasonable and not absolute assurance against material misstatement or loss. They aim to ensure the maintenance of proper accounting records, the reliability of published financial information and the information used for business making decisions and that the assets of the Company are safeguarded.

The Committee has put in place procedures for identifying, evaluating and managing the significant risks faced by the Company. As part of this process an annual review of the control systems is carried out in accordance with the Internal Control: Revised Guidance for Directors as issued by the FRC. The review covers consideration of the key business, operational, compliance and financial risks facing the Company. Each risk is considered with regard to: the controls exercised at Board or Committee level; reporting by service providers and controls relied upon by the Board or Committee; exceptions for consideration by the Board or Committee; responsibilities for each risk and its review period; and risk rating. Investment risk is managed to the Board or Committee's satisfaction by the Investment Manager, primarily through the medium of a diversified portfolio; this approach is described in more detail in the Investment Manager's Review.

The Committee reviews a schedule of key risks at each Committee meeting which identifies the risks, controls and any deficiencies that have arisen in the quarter, if any, and action to be taken. Each quarter, the Committee reviews the management accounts, and annual or half-yearly reports arising therefrom, prepared by the Company Secretary and Administrator.

The main aspects of the internal controls which have been in place throughout the year in relation to financial reporting are:

- the valuations prepared by the Investment Manager are entered into the accounting system and reconciled by the Administrator. Controls are in place to ensure the effective segregation of these two tasks;
- the Administrator cross-checks the monthly valuations of AIM companies to an independent data source;
- an independent review of the unquoted investment valuations is conducted quarterly by the Committee and Board;
- bank reconciliations are carried out weekly by the Administrator;
- the Board has procedures in place for the approval of expenses and payments to third parties;
- the Committee reviews monthly investment and net asset value reports, quarterly management accounts and underlying notes to those accounts, and other announcements as necessary;

# Corporate Governance Statement

- the information contained in the Annual Report and other financial reports is reviewed separately by the Committee prior to consideration by the Board; and
- the Board reviews all financial information prior to publication.

The Board has delegated contractually to third parties, the management of the investment portfolio, the day to day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board. The annual review includes a consideration of the risks associated with the Company's contractual arrangements with third party suppliers. The Board monitors and evaluates the performance of each of the service providers. The Committee also considers on an annual basis whether it is necessary for the Company to establish its own internal audit function. For the year under review, the Committee has determined that the Company does not require a separate internal audit function given that internal control reports are received from the Company's service providers, which the Committee relies upon to satisfy itself that sufficient and appropriate controls are in place.

The procedure for regular interim and full review of control systems has been in place and operational throughout the period under review. The last formal annual review took place on 12 November 2015. The Board has identified no issues with the Company's internal control mechanisms that warrant disclosure in the Annual Report.

## Report of the Audit Committee

The Committee comprises all of the Directors and is chaired by Jeremy Hamer. It is the Company's policy to include all members of the Board on the Committee to encourage clear communication and to enable all Directors to be kept fully informed of any issues that may arise. The Committee Chairman attended a number of audit briefings throughout the year with the Investment Manager, Administrator and the External Auditor as appropriate on several key issues and reported back to the Committee accordingly. The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience and that the Committee has sufficient resources to undertake its duties. The Board members who comprise the Committee are all independent from the Investment Manager.

The Committee meets at least twice per year and its responsibilities are set out in its terms of reference, which are available on the Company's website ([www.unicornaimvct.co.uk](http://www.unicornaimvct.co.uk)) or can be requested from the Company Secretary.

During the year under review, the Members of the Committee have:

- reviewed several iterations of the Company's Annual Report and Half-Yearly report and assessed them against the AIC Code to ensure that relevant disclosures have been included;

- reviewed its terms of reference to ensure that they are compliant with best practice guidance issued by the Institute of Chartered Secretaries and Administrators on Audit Committees;
- reviewed and approved the External Auditor's terms of engagement, remuneration and independence;
- reviewed the External Auditor's audit strategy for auditing the Company's Annual Report;
- reviewed the effectiveness of the external audit process against specific criteria;
- considered and recommended to the Board for approval the re-appointment of BDO LLP as the Company's External Auditor;
- reviewed the key risks faced by the Company on a quarterly basis against a risk matrix to assess whether the key risks continue to be relevant and appropriately managed;
- reviewed the report produced by PwC bi-annually on the Company's compliance with the VCT status tests; and
- reviewed the custody arrangements in place to confirm title to investments.

## Financial Statements

The Committee has initial responsibility for reviewing the financial statements and reporting on any significant issues that arise in relation to the audit of the financial statements as outlined below. Any issues would be discussed with the External Auditor and Administrator at the audit planning meeting prior to the year end and at the completion of the audit of the financial statements. No conflicts arose between the Committee and the External Auditor in respect of their work during the period.

The key accounting and reporting issues considered by the Committee were:

### *The valuation of the Company's quoted and unquoted investments*

Valuations of AIM quoted and unquoted investments are prepared by the Investment Manager. The Committee reviewed the estimates and judgements made in relation to the unquoted investments and was satisfied they were appropriate. The Committee also discussed the controls in place over the valuation of the quoted investments and the judgements made when considering if any losses on investments held were realised, and approved further permanent impairments where necessary.

The Committee recommended the investment valuations to the Board for approval, which the Board accepted.

### *Revenue Recognition*

The revenue generated from dividend income and loan stock interest has been considered by the Committee as part of its review of the Annual Report as well as the quarterly review of the management accounts prepared by the Administrator. The Committee has considered the controls in place at the Custodian over the recognition of dividends from quoted investments and the review undertaken by the Administrator to ensure that amounts received are in line with expectation.

### **Completeness and control of expenditure**

The Committee reviewed the process in place for determining the Company's expenditure. It noted that, in accordance with agreed policy, all payments over £7,500 have been authorised by at least one Director and any payments under this threshold have been authorised by the Administrator.

Following a review of several iterations of the Annual Report and consideration of the key areas of risk identified above, the Committee has concluded that, as a whole, the financial statements are fair, balanced and understandable and that they provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

### **Relationship with the External Auditor**

The Committee has managed the relationship with the External Auditor, assessed the effectiveness of the external audit process and made recommendations on the appointment and removal of the External Auditor to the Board. The External Auditor attended the Committee meeting that considered the Annual Report, as well as one further meeting with the Committee Chairman and the Administrator to discuss the draft audit strategy and draft Annual Report.

The Committee has also undertaken a review of the External Auditor and the effectiveness of the audit process. The outcome of the review has been formally minuted and summarised to the Board for consideration. When assessing the effectiveness of the process for the year under review, the Committee considered whether the Auditor has:

- demonstrated strong technical knowledge and a clear understanding of the business;
- indicated professional scepticism in key judgements and raised any significant issues in advance of the audit process commencing;
- an audit team that is appropriately resourced;
- demonstrated a proactive approach to the audit planning process, engaging with the Committee chairman and other key individuals;
- provided a clear explanation of the scope and strategy of the audit;
- the ability to communicate clearly and promptly with the members of the Committee, the Administrator and the Investment Manager and produce comprehensive reports on its findings;
- maintained independence and objectivity; and
- charged justifiable fees in light of the scope of services provided.

The External Auditor prepared an audit strategy document which provided information on the audit team and timetable, audit scope and objectives, evaluation of materiality, initial assessment of key audit and accounting risks, confirmation of independence and proposed fees. This was reviewed and approved by the Committee, after its Chairman had attended

an Audit Strategy meeting before the commencement of the year-end audit.

The Committee considered the appointment of the External Auditor and confirmed that it is satisfied with the standard of service received. Should the Committee be dissatisfied, a tender process would be undertaken. A tender was last undertaken when the Company was incorporated in 2001, although there has been rotation of the engagement partner in the current year following personnel changes at the Auditors. A tender has not been undertaken since this date as the Committee has been satisfied with the performance of the External Auditor.

### **Non-audit services**

The Committee has reviewed and monitored the External Auditor's independence and objectivity. As part of this, it has reviewed the nature and extent of other services supplied by the Auditor to ensure that such independence and objectivity is maintained.

The Company's policy for the provision of any non-audit services by the Company's External Auditor requires proposed services to be approved in advance by the Committee following a full and thorough assessment and consideration of any potential threats to auditor independence. The safeguards that are in place to protect the independence and objectivity of the External Auditor are also considered.

The Committee is of the opinion that it was in the interests of the Company to purchase non-audit services from the External Auditor, which comprised tax compliance and iXBRL tagging because of the External Auditor's greater knowledge of the Company and finances.

Having regard to all of the relevant factors, the Committee has recommended to the Board that, subject to Shareholder approval at the 2016 AGM, BDO LLP be re-appointed as the External Auditor of the Company for the forthcoming year.

### **Further Disclosures**

#### **Amendment of the Company's Articles of Association**

The Company may amend its Articles of Association by special resolution in accordance with section 21 of the Companies Act 2006.

#### **Share capital and voting rights**

Details of the Company's share capital can be found on page 27 and in Note 14 and substantial shareholdings can be found in the Directors' Report on page 28. The voting rights of Shareholders are set out below:

Each Shareholder has one vote on a show of hands, and on a poll one vote per share held, at a general meeting of the Company. No member shall be entitled to vote or exercise any rights at a general meeting unless all shares have been paid up in full. Any instrument of proxy must be deposited at the place specified by the Directors no later than 48 hours before the time for holding the meeting.

As detailed in the Company's Articles of Association, the shares in issue rank equally in all respects and are entitled to dividends

# Corporate Governance Statement

paid out of the net income derived from the assets of the Company and, in the event of liquidation, any surplus arising from the assets.

Shareholders may, if they so wish, arrange for their shares to be held via a nominee or depository where they retain the financial rights carried by the Company's shares.

## Powers of the Directors

In addition to the powers granted to the Directors by Company Law and the Articles of Association, the Directors obtain authority from Shareholders to issue a limited number of shares, dis-apply pre-emption rights and purchase the Company's own shares. Further details can be found in the Directors' Report.

## Relations with Shareholders

Communication with Shareholders is considered a high priority.

All Shareholders are entitled to receive a copy of the Annual and Half-Yearly Reports. The Board invites communications from Shareholders and there is an opportunity to question the Directors, the Chairman of the Audit Committee and the Investment Manager at the Annual General Meeting to which all Shareholders are invited.

The Company's website can be accessed by going to [www.unicornaimvct.co.uk](http://www.unicornaimvct.co.uk).

The Board as a whole approves the contents of the Annual and Half-Yearly Reports, interim management statements, circulars, and other Shareholder communications in order to ensure that they present a fair, balanced and understandable assessment of the Company's position and prospects and the risks and rewards to which Shareholders are exposed through continuing to hold their shares.

All proxy votes are counted, and the Chairman indicates to Shareholders at each General Meeting the number of votes for and against each resolution and the number of abstentions, after it has been dealt with on a show of hands. Details of the proxy votes cast for each meeting are published on the Company's website after each meeting.

The Notice of the Annual General Meeting is included in this Annual Report and is sent to Shareholders at least 20 working days before the meeting. Shareholders wishing to contact the Board should direct their communications to the Company Secretary and any queries will be passed to the relevant Director or the Board as a whole.

By order of the Board

**ISCA Administration Services Limited**

*Company Secretary*

11 December 2015



# 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 are required to prepare the Financial Statements and have elected to prepare the Company's Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") (United Kingdom Accounting Standards and applicable law). 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 for 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 judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK GAAP subject to any material departures disclosed and explained in the Financial Statements; and
- prepare a Director's Report, a Strategic Report and Director's Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 are responsible for ensuring that the Annual Report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

## Website publication

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

## Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Financial Statements have been prepared in accordance with UK GAAP and give a true and fair view of the assets, liabilities, financial position and profit of the Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board:

**Peter Dicks**

*Chairman*

11 December 2015





# Independent Auditor's Report to the Members of Unicorn AIM VCT plc

## Our opinion on the financial statements

In our opinion the Unicorn Aim VCT plc Financial Statements for the year ended 30 September 2015, which have been prepared by the Directors in accordance with applicable law and United Kingdom Accounting Standards:

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 our opinion covers

Our audit opinion on the financial statements covers the:

- Income Statement;
- Balance Sheet;

- Reconciliation of Movements in Shareholders' Funds;
- Cash Flow Statement; and
- related notes

## Respective responsibilities of directors and auditor

As explained more fully in the Directors Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the FRC's Ethical Standards for Auditors.

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

## Our approach

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administrator and, the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement. Below are those risks which we considered to have the greatest impact on our audit strategy and our audit response:

Risk area	Audit response
<b>Valuation of investments:</b> The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the unquoted investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the funds, derived using those valuations.	<p>81% of the portfolio is represented by quoted investments where fair value is calculated by reference to published prices and there is less risk involved in its determination. We considered the design and implementation of controls over the pricing of quoted investments and agreed the pricing for a sample of these investments to independent sources. We challenged the appropriateness of the use of the quoted bid price by reviewing the liquidity of the market for a sample of quoted investments held.</p> <p>For the remaining portfolio, represented by unquoted investments, we considered and assessed the design and the implementation of the controls in place over the valuation of investments. We challenged the assumptions inherent in the valuation of unquoted investments, and we assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements. We also considered whether, in our professional judgment, the methodology is the most appropriate in the circumstances under the IPEV guidelines.</p>

Risk area	Audit response
	<p>In response to the overall risk of management override of controls, we have reviewed the appropriateness of journals made in the general ledger and in the preparation of the accounts.</p> <p>We have also reviewed accounting estimates for evidence of possible bias and have obtained an understanding of the business rationale for significant transactions that are outside the normal course of business or that otherwise appear to be unusual. In particular, we have considered the valuation of investments as noted above.</p> <p>Where loans to unquoted companies were valued at cost (reviewed for impairment), we also considered the wider economic and commercial factors that, in our judgement, could impact on the recoverability and valuation of the loans, and we considered whether there was any permanent diminution in value in investments held, that should be reported as realised losses. We noted that the assessment of the unquoted valuations and whether losses in value are permanent (and therefore realised) is highly subjective.</p> <p>We reviewed the recently published trading statements for the unquoted investments and for a sample of all investments and considered the period over which significant falls in value below cost arose, as well as the apparent reasons and whether they were likely to be permanent.</p>

The Audit Committee's consideration of their key issues is set out on pages 36 and 37.

### Materiality in context

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

misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	<ul style="list-style-type: none"> <li>The value of non-current asset investments</li> <li>The level of judgement inherent in the valuation</li> <li>The range of reasonable alternative valuation</li> </ul>	1,200,000
Specific materiality – classes of transactions and balances which impact on revenue returns	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	<ul style="list-style-type: none"> <li>Revenue return before taxation</li> </ul>	190,000

# Independent Auditor's Report to the Members of Unicorn AIM VCT plc

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 information given in the Corporate Governance Statement set out on pages 33 to 38 of the Annual Report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

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

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
- is otherwise misleading.

In particular, we are required to consider whether 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 and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept by the Company, 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; or
- a Corporate Governance Statement has not been prepared by the Company.

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

- the Directors' statement, set out on page 28, in relation to going concern and set out on page 10 in relation to longer-term viability; 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.

We have nothing to report in respect of these matters.

## Vanessa-Jayne Bradley (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom  
11 December 2015

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

# Income Statement

for the year ended 30 September 2015

		Year ended 30 September 2015			Year ended 30 September 2014		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net unrealised gains on investments	9	–	14,384	14,384	–	8,048	8,048
Net gains on realisation of investments	9	–	470	470	–	3,855	3,855
Income	2	1,885	–	1,885	1,232	–	1,232
Investment management fees	3	(477)	(1,430)	(1,907)	(382)	(1,145)	(1,527)
Other expenses	4	(585)	–	(585)	(500)	–	(500)
<b>Profit on ordinary activities before taxation</b>		823	13,424	14,247	350	10,758	11,108
Tax on profit on ordinary activities	6	–	–	–	–	–	–
<b>Profit on ordinary activities after taxation for the financial year</b>		823	13,424	14,247	350	10,758	11,108
Basic and diluted earnings per share:							
Ordinary shares	8	1.11p	18.12p	19.23p	0.57p	17.60p	18.17p

All revenue and capital items in the above statement derive from continuing operations of the Company.

There were no other recognised gains or losses in the year.

The total column of this statement is the profit and loss account of the Company.

Other than revaluation movements arising on investments held at fair value through the Profit and Loss Account, there were no differences between the profit as stated above and at historical cost.

The notes on pages 46 to 61 form part of these financial statements.



# Balance Sheet

for the year ended 30 September 2015

Company number 04266437

	Notes	30 September 2015 £'000		30 September 2014 £'000	
<b>Non-current assets</b>					
Investments at fair value	9		122,582		91,105
<b>Current assets</b>					
Debtors	11	367		190	
Current investments	12	1		1	
Cash at bank	18	1,952		1,170	
		2,320		1,361	
<b>Creditors: amounts falling due within one year</b>	13	(286)		(254)	
<b>Net current assets</b>			2,034		1,107
<b>Net assets</b>			<b>124,616</b>		<b>92,212</b>
<b>Capital</b>					
Called up share capital	14/15		801		642
Capital redemption reserve	15		37		24
Share premium account	15		37,206		13,372
Revaluation reserve	15		49,322		32,320
Special reserve	15		27,927		34,402
Profit and loss account	15		9,323		11,452
<b>Equity Shareholders' funds</b>			<b>124,616</b>		<b>92,212</b>
<b>Net asset value per share of 1 pence each:</b>					
Ordinary shares	16		155.61p		143.70p

The financial statements on pages 43 to 61 were approved and authorised for issue by the Board of Directors on 11 December 2015 and were signed on their behalf by:

**Peter Dicks**

*Chairman*

The notes on pages 46 to 61 form part of these financial statements.



# Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2015

	Notes	30 September 2015 £'000	30 September 2014 £'000
Opening Shareholders' funds at 1 October 2014		92,212	73,673
Share capital raised – net of expenses	15a	24,006	13,448
Share capital bought back in the year – including expenses	15b	(1,643)	(2,462)
Profit for the year		14,247	11,108
Dividends paid	7	(4,206)	(3,555)
Closing Shareholders' funds at 30 September 2015		124,616	92,212

## Cash Flow Statement

for the year ended 30 September 2015

	Notes	30 September 2015 £'000	30 September 2014 £'000	30 September 2014 £'000
<b>Operating activities</b>				
Investment income received		1,699		1,209
Investment management fees paid		(1,907)		(1,527)
Other cash payments		(474)		(578)
<b>Net cash outflow from operating activities</b>	17		(682)	(896)
<b>Investing activities</b>				
Purchase of investments	9	(19,542)		(17,380)
Sale of investments	9	2,855		9,456
			(16,687)	(7,924)
<b>Equity dividends</b>				
Dividends paid	7		(4,206)	(3,555)
<b>Net cash outflow before liquid resource management and financing</b>			(21,575)	(12,375)
<b>Management of liquid resources</b>				
Decrease in current investments	18		–	153
<b>Financing</b>				
Shares issued as part of Offer for Subscription (net of transaction costs)	15a	24,000		13,448
Shares bought back	15b	(1,643)		(2,462)
			22,357	10,986
<b>Net increase / (decrease) in cash</b>	18		782	(1,236)

The notes on pages 46 to 61 form part of these financial statements.

# Notes to the Financial Statements

## for the year ended 30 September 2015

### 1 Accounting policies

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

#### a) Basis of accounting

The accounts have been prepared under UK GAAP and the SORP issued by the Association of Investment Companies in January 2009.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of investments designated as fair value through profit and loss.

As a result of the Directors' decision to distribute capital profits by way of a dividend, the Company revoked its investment company status as defined under section 266(3) of the Companies Act 1985, on 17 August 2004.

#### b) Presentation of the Income Statement

In order to better reflect the activities of a VCT and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The revenue column of the profit attributable to Shareholders is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 274 Income Tax Act 2007.

#### c) Investments

All investments held by the Company are classified as "fair value through profit and loss" and valued in accordance with FRS 26 and the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as updated in December 2012. This classification is followed as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income.

For investments actively traded on organised financial markets, fair value is generally determined by reference to Stock Exchange market quoted bid prices at the close of business on the balance sheet date. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market. Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

Unquoted investments are stated at fair value by the Directors in accordance with the following rules, which are consistent with the IPEVCV guidelines and in accordance with FRS 26:

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

- (i) Where a value is indicated by a material arms-length transaction by an independent third party in the shares of a company, this value will be used.
- (ii) In the absence of i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to either:-
  - a) an earnings multiple basis. The shares may be valued by applying a suitable price-earnings ratio to that company's historic, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the Investment Manager compared to the sector including, inter alia, a lack of marketability).

or:-

- b) where a company's underperformance against plan indicates a diminution in the value of the investment, provision against cost is made, as appropriate. Where the value of an investment has fallen permanently below cost, the loss is treated as a permanent impairment and as a realised loss, even though the investment is still held. The Board assesses the portfolio for such investments and, after agreement with the Investment Manager, will agree the values that represent the extent to which an investment loss has become realised. This is based upon an assessment of available evidence of that investment's prospects, to determine whether there is potential for the investment to recover in value.
- (iii) Premiums on loan stock investments are recognised at fair value when the Company receives the right to the premium and when considered recoverable.

#### d) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Fixed returns on non-equity shares are recognised on a time apportioned basis so as to reflect the effective interest rate, provided there is no reasonable doubt that payment will be received in due course. Fixed returns on debt securities are recognised on a time-apportioned basis so as to reflect the effective yield.

#### e) Capital reserves

- (i) *Realised (included within the Profit and Loss Account reserve)*

The following are accounted for in this reserve:

- Gains and losses on realisation of investments;
- Permanent diminution in value of investments;
- Transaction costs incurred in the acquisition of investments; and
- 75% of investment management fee expense, together with the related tax effect to this reserve in accordance with the accounting policies.

*(ii) Revaluation reserve (Unrealised capital reserve)*

Increases and decreases in the valuation of investments held at the year-end are accounted for in this reserve, except to the extent that the diminution is deemed permanent.

In accordance with stating all investments at fair value through profit and loss, all such movements through both revaluation and realised capital reserves are shown within the Income Statement for the year.

*(iii) Special reserve*

The costs of share buybacks are charged to this reserve. In addition, any realised losses on the sale of investments, and 75% of the management fee expense, and the related tax effect, are transferred from the Profit and Loss Account reserve to this reserve.

**f) Expenses**

All expenses 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, which are charged to capital, and with the further exception that 75% of the fees payable to the Investment Manager are charged against capital. This is in line with the allocation followed by most other VCTs.

**g) Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in the tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

A deferred tax asset is recognised only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilised.

Any tax relief obtained in respect of management fees allocated to capital is credited to the capital reserve – realised and a corresponding amount is charged against revenue. The tax relief is the amount by which any corporation tax payable is reduced as a result of these capital expenses.

**h) Liquid resources**

Liquid resources are the current investments disclosed in Note 12, regarded as available for investment, rather than to meet the Company's running expenses, as at the year-end.



# Notes to the Financial Statements

## for the year ended 30 September 2015

### 2 Income

	2015 £'000	2014 £'000
Income from investments		
– from equities	1,610	1,016
– from loan stocks	196	168
– from money-market funds and Unicorn managed OEICs	79	48
Total income	1,885	1,232
Total income comprises:		
Dividends	1,689	1,064
Interest	196	168
	1,885	1,232
Income from investments comprises:		
Listed UK securities	339	83
Unlisted UK securities (AIM and unquoted companies)	1,546	1,149
	1,885	1,232

### 3 Investment Manager's fees

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Unicorn Asset Management Limited	477	1,430	1,907	382	1,145	1,527

Unicorn Asset Management Limited ("UAML") receives an annual management fee of 2% of the net asset value of the Company, excluding the value of the investments in the OEICs, which are also managed by UAML. The annual management fee charged to the Company is calculated and payable quarterly in advance. In the year ended 30 September 2015, UAML also earned fees of £52,000 (2014: £69,000), being OEIC management fees calculated on the value of the Company's holdings in each OEIC on a daily basis. This management fee is 0.75% per annum of the OEIC value for each of Unicorn Smaller Companies OEIC, Unicorn UK Growth OEIC (formerly Unicorn Free Spirit OEIC), Unicorn Mastertrust OEIC and Unicorn Outstanding British Companies OEIC.

The management fee will be subject to repayment to the extent that there is an excess of the annual costs of the Company incurred in the ordinary course of business over 3.6% of the closing net assets of the Company at the year end. There was no excess of expenses for 2014/15 or the prior year.

Under an Amended Incentive Agreement with UAML dated 12 April 2010, the Investment Manager is entitled to a performance incentive fee of 20% of any cash distributions (by dividend or otherwise) paid to Shareholders in excess of 6 pence per Ordinary share paid in any accounting period – "the target return" and subject to the maintenance of a net asset value (NAV) per share of 125 pence or more, as calculated in the Annual Report and accounts for the year relating to such payments. The target return applies for accounting periods starting after 1 October 2010. In the event that the target return of 6 pence per share is not paid in a particular accounting period, the shortfall of such distributions will be carried forward to subsequent accounting periods and any incentive fee will not be payable until this shortfall is met. No incentive fee is payable for the year ended 30 September 2015 and none was due for the year ended 30 September 2014.

## 4 Other expenses

	2015 £'000	2014 £'000
Directors' remuneration (including NIC)	92	90
IFA trail commission	89	39
Administration services	133	163
Broker's fees	14	14
Custody fees	69	30
Auditors' fees – for audit related services pursuant to legislation	21	23
– for taxation services	4	4
– other assurance services pursuant to regulation	4	5
Tax monitoring fees	11	11
Professional fees	16	12
Directors' insurance	6	6
Registrar's fees	47	32
Printing	28	24
Sundry	51	47
	585	500

The Directors consider the auditor was best placed to provide the taxation and other services. The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained.

## 5 Directors' remuneration

	2015 £'000	2014 £'000
<b>Directors' emoluments</b>		
Peter Dicks	26	25
Jocelin Harris	23	22.5
James Grossman	20	20
Jeremy Hamer	23	22.5
	92	90

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

The Company has no employees.





# Notes to the Financial Statements

for the year ended 30 September 2015

## 6 Taxation on ordinary activities

### a) Analysis of tax charge in the year

	2015 £'000	2014 £'000
Current and total tax charge (Note 6b)	–	–

### b) Factors affecting tax charge for the year:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	14,247	11,108
Profit on ordinary activities multiplied by standard small profits rate of corporation tax in the UK of 20.0% (2014: 20%)	2,849	2,222
Non-taxable UK dividend income	(322)	(203)
Non-taxable unrealised gains	(2,877)	(1,610)
Non-taxable realised gains	(94)	(771)
Allowable expense not charged to revenue	286	229
Losses carried forward	158	133
Actual current charge – revenue	–	–
Impact of allowable expenditure credited to capital reserve	(286)	(229)
Additional losses carried forward to future years	286	229
Actual current charge – capital	–	–
Current tax charge for the year	–	–

Tax relief relating to investment management fees is allocated between Revenue and Capital in the same proportion as such fees.

There is no taxation in relation to capital gains or losses. Due to the Company's status as a Venture Capital Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

No deferred tax asset has been recognised on surplus management expenses carried forward. At present it is not envisaged that any tax will be recovered in the foreseeable future. The amount of surplus management expenses is £3,234,000 (30 September 2014: £2,790,000).

## 7 Dividends

	2015 £'000	2014 £'000
<b>Amounts recognised as distributions to equity holders in the year:</b>		
Final capital dividend of 5.50 pence (2014: 5.25 pence) per share for the year ended 30 September 2014 paid on 20 February 2015	3,856	3,110
Final income dividend of 0.50 pence (2014: 0.75 pence) per share for the year ended 30 September 2014 paid on 20 February 2015	350*	445
	4,206	3,555

Any proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

\* The amount actually paid in dividends for 2014 differs from that shown in last years Annual Report as 6,428,546 shares were issued and 495,000 bought back between 1 October 2014 and the record date of 16 January 2015.

Set out below are the total income dividends payable in respect of the 2014/15 financial year, which is the basis on which the requirements of Section 274 of the Income Tax Act 2007 are considered.

	2015 £'000	2014 £'000
Revenue available for distribution by way of dividends for the year	823	350
Proposed final income dividend of 1.0 pence (2014: 0.50 pence) for the year ended 30 September 2015	800**	340*

\*\* Based on 79,980,231 shares in issue at the date of this report.

## 8 Basic and diluted earnings and return per share

	2015 £'000	2014 £'000
Total earnings after taxation:	14,247	11,108
<b>Basic and diluted earnings per share (Note a)</b>	<b>19.23p</b>	<b>18.17p</b>
Net revenue from ordinary activities after taxation	823	350
<b>Revenue earnings per share (Note b)</b>	<b>1.11p</b>	<b>0.57p</b>
Total capital return	13,424	10,758
<b>Capital earnings per share (Note c)</b>	<b>18.12p</b>	<b>17.60p</b>
Weighted average number of shares in issue in the year	74,087,534	61,135,718

### Notes

a) Basic and diluted earnings per share is total earnings after taxation divided by the weighted average number of shares in issue.

b) Revenue earnings per share is net revenue after taxation divided by the weighted average number of shares in issue.

c) Capital earnings per share is total capital return divided by the weighted average number of shares in issue.

There are no instruments in place that will increase the number of shares in issue in future. Accordingly, the above figures currently represent both basic and diluted returns.

# Notes to the Financial Statements

## for the year ended 30 September 2015

### 9 Investments at fair value

	Fully listed	Traded on AIM/PLUS Market	Unlisted ordinary and preference shares	Unlisted loan stock	Unicorn OEIC funds	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Book cost at 30 September 2014	4,693	44,815	8,418	1,850	2,698	62,474
Unrealised gains/(losses) at 30 September 2014	2,214	27,248	1	(350)	3,206	32,319
Permanent impairment in value of investments	(207)	(1,930)	(1,551)	–	–	(3,688)
Valuation at 30 September 2014	6,700	70,133	6,868	1,500	5,904	91,105
Purchases at cost	4,525	8,763	4,947	300	2,006	20,541
Sale proceeds	(2,772)	(885)	(279)	–	–	(3,936)
Realised gains	120	119	249	–	–	488
Increase/(decrease) in unrealised appreciation	3,297	10,068	1,105	(375)	289	14,384
Closing valuation at 30 September 2015	11,870	88,198	12,890	1,425	8,199	122,582
Book cost at 30 September 2015	7,294	52,181	12,570	2,150	4,704	78,899
Unrealised gains/(losses) at 30 September 2015	4,576	41,076	900	(725)	3,495	49,322
Permanent impairment in value of investments (see note)	–	(5,059)	(580)	–	–	(5,639)
Closing valuation at 30 September 2015	11,870	88,198	12,890	1,425	8,199	122,582

Transaction costs on the purchase and disposal of investments of £18,000 were incurred in the year. These are excluded from realised gains shown above of £488,000, but were included in arriving at gains on realisation of investments disclosed in the Income Statement of £470,000.

Note: Unlisted ordinary shares now permanently impaired of £580,000 (2014: £1,551,000) had been traded on AIM originally. By the time they became permanently impaired, they had delisted from AIM and they are therefore classified as unlisted ordinary shares. In addition, permanent impairments of £5,059,000 were recognised in respect of losses on quoted investments held at the year end and permanent impairments brought forward of £1,375,000 have been eliminated on disposal.

#### Reconciliation of cash movements in investment transactions

The difference between the purchases in Note 9 and that shown in the Cash Flow Statement is £999,000. This is because the purchase of the investments in Microgen and NCC Group arose from a share for share exchange (i.e. non-cash) transaction and the payment of £100,000 creditor outstanding at the previous year end. Similarly disposals are £1,081,000 higher in Note 9 than the Cash Flow Statement due to the transactions referred to above, and the receipt of a £18,000 debtor brought forward.

## 10 Significant interests

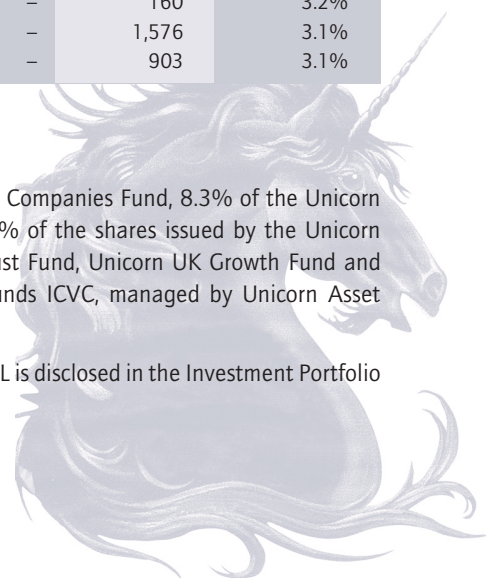
At 30 September 2015 the Company held significant investments, amounting to 3% or more of the equity capital of an undertaking, in the following companies:

	Equity investment (ordinary shares) £'000	Investment in loan stock and preference shares £'000	Total investment (at cost) £'000	Percentage of investee company's total equity
Hasgrove	975	–	975	13.1%
Interactive Investor	3,447	–	3,447	11.4%
Heartstone Inns	1,113	–	1,113	10.4%
Access Intelligence	1,667	1,050	2,717	10.1%
PHSC	252	–	252	9.9%
HML Holdings	446	–	446	9.8%
Anpario	1,586	–	1,586	9.7%
European Wealth Group	1,759	–	1,759	9.5%
Crawshaw Group	1,539	–	1,539	9.2%
Totally	158	–	158	9.0%
City Pub Company (East)	1,125	1,000	2,125	8.9%
City Pub Company (West)	1,125	1,000	2,125	8.9%
Tangent Communications	1,418	–	1,418	8.6%
Blue Inc (UK)	2,000	–	2,000	6.9%
Tracsis	769	–	769	6.4%
Animalcare Group	1,476	–	1,476	6.0%
Avingtrans	997	–	997	6.0%
ULS Technology	1,500	–	1,500	5.8%
Hardide	1,000	–	1,000	5.4%
Driver Group	1,113	–	1,113	5.2%
PhotonStar LED Group	497	–	497	4.9%
Dillistone Group	553	–	553	4.7%
eg solutions	706	–	706	4.6%
Instem	985	–	985	4.4%
SnackTime	2,102	850	2,952	4.2%
Mattioli Woods	1,685	–	1,685	4.1%
Surgical Innovations Group	358	–	358	3.9%
Tristel	878	–	878	3.9%
Omega Diagnostics Group	518	–	518	3.9%
APC Technology Group	3,100	250	3,350	3.9%
Cohort	1,415	–	1,415	3.2%
Sanderson Group	895	–	895	3.2%
Pressure Technologies	982	–	982	3.2%
Vitesse Media	160	–	160	3.2%
Augean	1,576	–	1,576	3.1%
Hayward Tyler	903	–	903	3.1%

All of the above companies are incorporated in the United Kingdom.

At 30 September 2015, the Company held 4.3% of the B shares issued by Unicorn Smaller Companies Fund, 8.3% of the Unicorn Mastertrust Fund, 16.2% of the B shares issued by the Unicorn UK Growth Fund and 9.1% of the shares issued by the Unicorn Outstanding British Companies Fund. Unicorn Smaller Companies Fund, Unicorn Mastertrust Fund, Unicorn UK Growth Fund and Unicorn Outstanding British Companies Fund are sub-funds of the Unicorn Investment Funds ICVC, managed by Unicorn Asset Management Limited.

The total percentage of equity held in the Company's investments by funds managed by UAML is disclosed in the Investment Portfolio Summary on pages 18 to 25 of this Report.





# Notes to the Financial Statements

## for the year ended 30 September 2015

### 11 Debtors

	2015 £'000	2014 £'000
<b>Amounts due within one year:</b>		
Other debtors	7	18
Prepayments and accrued income	360	172
	367	190

### 12 Current investments

This comprises an investment in a Dublin based OEIC money market fund, managed by Blackrock Investment Management UK Limited. The funds of £1,000 (30 September 2014: £1,000) are subject to same day access. These sums are regarded as monies held pending investment.

### 13 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Other creditors	31	106
Accruals	255	148
	286	254

### 14 Called up share capital

	2015 £'000	2014 £'000
<b>Allotted, called-up and fully paid:</b>		
Ordinary shares of 1p each: 80,080,231 (2014: 64,168,112)	801	642

The Company made purchases of 1,279,000 (a total of £12,790 nominal value) of its own Ordinary shares for cash at a range of prevailing market prices between 124.1 pence and 133.7 pence per share for a total cost of £1,643,000 representing 2.0% of the opening share capital.

As part of the Company's Top up Offer for Subscription, between 15 October 2014 and 13 May 2015, 17,191,119 Ordinary shares were allotted, representing 26.8% of the opening share capital at prices ranging from 138.4 pence per share to 151.4 pence per share raising net funds of £24,006,000 from gross funds raised of £24,572,000.

Details of the purchase of shares post 30 September 2015 are given on page 61.

## 15 Reserves

	Called up share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Revaluation reserve £'000	Special reserve £'000	Profit and loss account £'000	Total £'000
At 1 October 2014	642	24	13,372	32,320	34,402	11,452	92,212
Shares repurchased for cancellation (see Note b)	(13)	13	–	–	(1,643)	–	(1,643)
Shares issued under Offer for Subscription (see Note a)	172	–	24,400	–	–	–	24,572
Expenses of shares issued under Offer for Subscription (see Notes a and c)	–	–	(566)	–	–	–	(566)
Transfer to special reserve	–	–	–	–	(4,832)	4,832	–
Gains on disposal of investments (net of transaction costs)	–	–	–	–	–	470	470
Realisation of previously unrealised valuation movements	–	–	–	2,618	–	(2,618)	–
Net increases in unrealised valuations in the year	–	–	–	14,384	–	–	14,384
Dividends paid	–	–	–	–	–	(4,206)	(4,206)
Investment Management fee charged to capital	–	–	–	–	–	(1,430)	(1,430)
Profit for the year	–	–	–	–	–	823	823
At 30 September 2015	801	37	37,206	49,322	27,927	9,323	124,616

The purpose of the Special reserve is to fund market purchases of the Company's own shares as and when it is considered by the Board to be in the interests of the Shareholders, make distributions and to write-off existing and future losses as the Company must take into account capital losses in determining distributable reserves. The total transfer of £4,832,000 to the special reserve from the profit and loss account is the total of realised losses incurred by the Company in the year.

### Reconciliation of the Cash Flow Statement to the individual reserve movements above.

**Note a:** The Cash Flow Statement discloses an inflow of funds of £24,000,000 being shares issued under the Offer for Subscription of £24,572,000, less expenses of shares issued under the Offer for Subscription of £572,000. A refund of expenses of £6,000 was received on 1 October 2015.

### Explanation of Reconciliation of Movements in Shareholders' Funds to the individual reserve movements above.

**Note b:** Share capital bought back in the year of £1,643,000 is comprised of 1,279,000 shares repurchased for cancellation at a cost of £1,643,000.

**Note c:** Expenses of shares issued under the Offer for Subscription were Offer costs of £566,000, being 2.5% of amounts subscribed under the Offer less any early bird discount, which were paid to the Manager, as Promoter to the Offer.



# Notes to the Financial Statements

for the year ended 30 September 2015

## 16 Net asset values

	2015 £'000	2014 £'000
Net Assets	124,616	92,212
Number of shares in issue	80,080,231	64,168,112
Net asset value per share	155.61 p	143.70p

## 17 Reconciliation of profit on ordinary activities before taxation to net cash outflow from operating activities

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	14,247	11,108
Net unrealised gains on investments	(14,384)	(8,048)
Net gains on realisation of investments	(470)	(3,855)
Transaction costs	(18)	(47)
(Increase)/decrease in debtors and prepayments	(188)	11
Increase/(decrease) in creditors and accruals	131	(65)
Net cash outflow from operating activities	(682)	(896)

## 18 Analysis of changes in net funds

	Cash £'000	Liquid resources £'000	Total £'000
At 30 September 2014	1,170	1	1,171
Cash flows	782	–	782
At 30 September 2015	1,952	1	1,953

## 19 Financial instruments

The Company's financial instruments comprise:

- Equity, preference shares, OEICs and loan stocks that are held in accordance with the Company's investment objective.
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations.

The principal purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors.

It is, and has been throughout the period under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

## Classification of financial instruments

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 30 September 2015.

	2015 (Book and fair value) £'000	2014 (Book and fair value) £'000
<b>Assets at fair value through profit and loss:</b>		
Investment portfolio	122,582	91,105
Current investments	1	1
<b>Loans and receivables</b>		
Accrued income	347	159
Other debtors	7	18
Cash at bank	1,952	1,170
<b>Liabilities at amortised cost or equivalent</b>		
Other creditors	(286)	(254)
Total for financial instruments	124,603	92,199
Non-financial instruments	13	13
Total net assets	124,616	92,212

The investment portfolio principally consists of fully listed and AIM quoted investments and collective OEIC investment funds managed by UAML, valued at their bid price which represents fair value. The current investment is a Dublin based OEIC money market fund.

The investment portfolio has a high concentration of risk towards small, UK based companies, nearly all of which are quoted on the £ denominated UK AIM market (70.8% of net assets), or within the OEIC funds managed by UAML (6.6% of net assets), unquoted investments (11.5% of net assets) and fully listed shares (9.5% of net assets).

The main risks arising from the Company's financial instruments are due to investment or market price risk, credit risk, interest rate risk and liquidity risk. There have been no changes in the nature of these risks that the Company has faced during the past year. The Board reviews and agrees policies for managing each of these risks, which are summarised below. There have been no changes in their objectives, policies or processes for managing risks during the past year.

## Risk

**Market Price Risk:** Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. These future prices are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future performance of the UK economy and its impact upon the economic environment in which these companies operate.

**Credit Risk:** Failure by counter-parties to deliver securities which the Company has paid for, or pay for securities which the Company has delivered. The Company uses a third-party custodian, and were that entity not to segregate client assets from its own, it would expose the Company's assets so held to such risk. The Company is exposed to credit risk through its debtors and holdings of loan stocks, cash and current investments (money-market funds).

The Company's maximum exposure to credit risks at 30 September 2015 was:

	2015 £'000	2014 £'000
Loan stock investments	1,425	1,500
Money market funds	1	1
Accrued income and other debtors	354	177
Cash at bank	1,952	1,170
	3,732	2,848

# Notes to the Financial Statements

## for the year ended 30 September 2015

The following table shows the expected maturity of the loan stock investments referred to above:

	2015 £'000	2014 £'000
<b>Repayable or converting within</b>		
0 to 1 year	900	250
1 to 2 years	125	1,050
2 to 3 years	100	–
3 to 4 years	–	200
4 to 5 years	300	–
<b>Total</b>	<b>1,425</b>	<b>1,500</b>

Included within loan stock investments above are loans at a carrying value of £875,000 (2014: £1,250,000) which are not past their repayment date but have been re-negotiated. The carrying value of SnackTime plc loan stock has been written down by £250,000 and APC Technology written down by £125,000 during the year.

**Liquidity Risk:** The Company's investments in the equity, preference shares and loan stocks of unlisted and AIM listed companies and its OEIC holdings are thinly traded and as such the prices are more volatile than those of more widely traded securities. In addition, the Company may not be able to realise the investments at their carrying value if there are no willing purchasers. The ability of the Company to purchase or sell investments is also constrained by the requirements set down for Venture Capital Trusts.

**Interest Rate Risk:** The value of the Company's equity and non-equity investments, OEIC money-market investments and its net revenue may be affected by interest rate movements. Investments in the portfolio include relatively small businesses, which are relatively high risk investments sensitive to interest rate fluctuations. Due to the short time to maturity of some of the Company's fixed rate non-equity investments, it may not be possible to re-invest in assets which provide the same rates as those currently held.

**Currency Risk:** All assets and liabilities are denominated in sterling and therefore there is no currency risk other than the impact currency fluctuation may have on the performance of investee companies overseas operations.

### Management of risk

**Market Price Risk:** At formal meetings held at least quarterly, and throughout the year, the Board reviews the Company's exposure to market price risk inherent in the Company's portfolio, achieved by maintaining an appropriate spread of equities and other instruments. The Board seeks to ensure that an appropriate proportion of the Company's portfolio is invested in cash and readily realisable securities, which are sufficient to meet any funding commitments that may arise. The Company does not use derivative instruments to hedge against market risk.

The four OEICS managed by UAML are diversified across a number of holdings with 100% invested in AIM and fully listed companies, or held in cash and as such, are exposed to overall market risk.

As at 30 September 2015, the Unicorn UK Growth Fund's portfolio contained stocks where 61.3% by value were in AIM listed stocks, and 4.4% is in fully listed stocks with an average market capitalisation of £1.9 billion; the Unicorn UK Smaller Companies Fund contained 19.1% by value on AIM and 80.9% in fully listed stocks with an average market capitalisation of £287.1 million; the Mastertrust Fund contained 0.2% in AIM stocks, and 99.8% in fully listed stocks with an average market capitalisation of £487.5 million and the Unicorn Outstanding British Companies Fund contained 46.4% in AIM shares and 53.6% in fully listed stocks with an average market capitalisation of £1,257.7 million.

**Liquidity risk:** Besides the maintenance of a spread of investments within the investment portfolio, the Company maintains liquidity by holding adequate levels of cash and OEIC money market funds which are available on demand to meet future investments and running costs.

**Credit Risk:** All transactions are settled on the basis of delivery against payment. The Board manages credit risk in respect of the current investments and cash by ensuring that the administrator spreads such investments such that none exceeds 15% of the Company's total investment assets.

**Credit Quality:** Financial assets that are neither past due nor impaired comprise investments in equity and preference shares, investments in OEICs, investments in loan stock, cash and debtors. The credit quality of cash can be assessed with reference to external credit ratings and are currently rated as A3 or higher for cash held at NatWest and BNY Mellon. The credit quality of the loan stock and debtors cannot be assessed with reference to external credit ratings.

**Interest Rate Risk:** The Company's assets and liabilities include fixed interest non-equity stocks, the values of which are reviewed by the Board, as referred to above. As most of the portfolio is non-interest bearing, the direct exposure to interest rates is relatively insignificant. The impact of changes in interest rates on the value of the portfolio is discussed in the sensitivity analysis below.



## Financial net assets

The interest rate profile of the Company's financial net assets at 30 September 2015 was:

	Financial net assets on which no interest paid £'000	Fixed rate financial assets £'000	Variable rate financial assets £'000	Total £'000	Weighted average interest rate %	Average period to maturity (years)
Equity shares	110,958	–	–	110,958	N/A	N/A
Preference shares	–	2,000	–	2,000	6.00	N/A
Unicorn OEICs	8,199	–	–	8,199	N/A	N/A
Loan stocks	–	1,425	–	1,425	12.84	1.49
Money market funds	–	–	1	1	0.32	–
Cash	1,638	–	314	1,952		
Debtors	354	–	–	354		
Creditors	(286)	–	–	(286)		
Total for financial instruments	120,863	3,425	315	124,603		
Other non financial assets	13	–	–	13		
<b>Total net assets</b>	<b>120,876</b>	<b>3,425</b>	<b>315</b>	<b>124,616</b>		

The interest rate profile of the Company's financial net assets at 30 September 2014 was:

	Financial net assets on which no interest paid £'000	Fixed rate financial assets £'000	Variable rate financial assets £'000	Total £'000	Weighted average interest rate %	Average period to maturity (years)
Equity shares	83,701	–	–	83,701	N/A	N/A
Unicorn OEICs	5,904	–	–	5,904	N/A	N/A
Loan stocks	–	1,500	–	1,500	10.53	1.47
Money market funds	–	–	1	1	0.32	–
Cash	950	–	220	1,170		
Debtors	177	–	–	177		
Creditors	(254)	–	–	(254)		
Total for financial instruments	90,478	1,500	221	92,199		
Other non financial assets	13	–	–	13		
<b>Total net assets</b>	<b>90,491</b>	<b>1,500</b>	<b>221</b>	<b>92,212</b>		

The Company's investments in equity shares and similar instruments have been excluded from the interest rate risk profile as they have no maturity date and would thus distort the weighted average period information.

## Sensitivity analysis

The Board believes that the Company's assets are mainly exposed to market price risk, as the Company is required to hold most of its assets in the form of investments in small companies which are denominated in Sterling. Most of these assets are, or will be, held in companies quoted on the AIM Market where the Company's investment objective is to achieve a return, partly from dividends, but mainly from capital growth from realisations. The table below shows the impact on profit and net assets if there were to be a 20% movement in overall share prices, which might in part be caused by changes in interest rate levels, but it is not considered possible to evaluate separately the impact of changes in interest rates upon the Company's portfolios of investments in small companies.

For this purpose the investments in the OEICs managed by UAM are also included in this analysis. The Financial Highlights and the Investment Portfolio Summary at the front of this Annual Report give Shareholders further analysis in percentages of investments by asset class and market sector, and page 58 contains information on segments of market capitalisation, under "Management of risk". The sensitivity analysis below assumes that each of these sub categories produces a movement overall of 20%, and that the portfolio of shares and Unicorn managed OEICs held by the Company are perfectly correlated to this overall movement in share prices. Shareholders should note that this level of correlation would not be the case in reality.

# Notes to the Financial Statements

## for the year ended 30 September 2015

	2015 £'000 Profit and net assets	2014 £'000 Profit and net assets
If overall share prices rose/fell by 20% (2014: 20%), with all other variables held constant – increase/(decrease)	24,231/(24,231)	17,921/(17,921)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	30.26p/(30.26)p	27.93p/(27.93)p
If interest rates were 1% higher/(lower) (2014: 1%), with all other variables held constant – increase/(decrease)	20/(20)	10/(10)
Increase/(decrease) in earnings, and net asset value, per Ordinary share (in pence)	0.01/(0.01)p	0.01p/(0.01)p

### Fair value hierarchy

The table below sets out fair value measurements using FRS29 fair value hierarchy. The Company has one class of assets, being at fair value through profit and loss.

Financial assets at fair value through profit and loss At 30 September 2015				
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	100,068	–	10,890	110,958
Non-equity investments	–	–	2,000	2,000
Loan stock investments	–	–	1,425	1,425
Open ended Investment Companies	8,199	–	–	8,199
Money market funds	1	–	–	1
Total	108,268	–	14,315	122,583

Financial assets at fair value through profit and loss At 30 September 2014				
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	76,833	–	6,868	83,701
Loan stock investments	–	–	1,500	1,500
Open ended Investment Companies	5,904	–	–	5,904
Money market funds	1	–	–	1
Total	82,738	–	8,368	91,106

There are currently no financial liabilities at fair value through profit and loss.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Company are explained in the accounting policies in Note 1.

The majority of the level 3 investments are held at cost or recent transaction price and the remaining level 3 investments are insignificant therefore no assumptions are disclosed or sensitivity analysis provided.

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below:

	Non-equity Investments £'000	Equity investments £'000	Loan stock investments £'000	Total £'000
Opening balance at 1 October 2014	–	6,868	1,500	8,368
Purchases	2,000	2,947	300	5,247
Sales	–	(279)	–	(279)
Total gains/(losses) included in gains on investments in the Income Statement:				
– on assets sold	–	249	–	249
– on assets held at the year end	–	1,105	(375)	730
Closing balance at 30 September 2015	2,000	10,890	1,425	14,315

Previously, transfers into Level 3 have related to investments for which listing has been suspended during the year. Transfers out of Level 3 have related to investments which have been sold or obtained stock exchange listing during the year, having previously been unquoted. There have been no such transfers in the year.

Level 3 unquoted equity and loan stock investments are valued in accordance with the IPEV CV guidelines as follows:

	30 September 2015 £'000	30 September 2014 £'000
Investment methodology		
Cost (reviewed for impairment)	4,538	2,328
Asset value supporting security held	2,917	–
Recent investment price	5,797	6,040
Realisation proceeds	1,063	–
	14,315	8,368

The valuation methodology chosen is the most appropriate for that investment, with regard to the September 2009 IPEV CV guidelines.

## 20 Management of Capital

The Board manages the Company's capital (effectively the net assets) to further the overall objective of providing an attractive return to Shareholders through maintaining a steady flow of dividend distributions from the income as well as capital gains generated by the portfolio.

Under VCT tax legislation, at least 70% of the Company's cash and investment assets (effectively the net assets) must at all times be invested in UK companies that are not fully listed. As an AIM VCT, the majority is held in ordinary shares quoted on the AIM market. Subject to retaining sufficient liquidity to cover outgoings, the level of capital deployed in such assets can and usually does exceed the 70% minimum. The overall level of capital deployed will change as the value of the investments changes. It is also reduced by dividend distributions and buying in the Company's own shares.

There is limited scope to alter the Company's capital structure in the light of changing perceived risks in the Company's investment universe and in economic conditions generally. The Board may issue new shares or undertake borrowings if particularly promising opportunities are available to the Investment Manager.

## 21 Segmental analysis

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

## 22 Post balance sheet events

On 10 November, the Company repurchased 100,000 Ordinary Shares, representing 0.12% of the share capital in issue, for cancellation at a total cost of £143,000 equivalent to 143.0 pence per share.

Rensburg shareholders voted in favour of the merger with the Company at a General Meeting held on 27 November 2015 and subject to the remaining Rensburg shareholders approving the resolutions to be proposed at a second General Meeting called for 12 January 2016 the Company is expecting to complete the merger during January 2016.

## 23 Related Party Transactions

Details of the relationships between the Directors of the Company and Investee Companies are given in their biographies on page 26 and the Corporate Governance Statement under "Independence of Directors" on page 34.



# Shareholder Information

The Company's Ordinary shares (Code: UAV) are listed on the London Stock Exchange. Shareholders can visit the London Stock Exchange website, [www.londonstockexchange.com](http://www.londonstockexchange.com), for the latest news and share prices of the Company. The share price is also quoted in the Financial Times and can be accessed through the Company's website [www.unicornaimvct.co.uk](http://www.unicornaimvct.co.uk) selecting the options Fund Information then "Live Share Price".

## Electronic Communications

Shareholders have previously approved a resolution to allow the Company to use its website to publish statutory documents and communications to Shareholders, such as the Annual Report and Accounts, as its default method of publication. The Directors recommend that Shareholders receive information electronically reducing costs and also the impact on environment of producing and posting paper copy reports.

Shareholders are encouraged to register on Capita's electronic system at <https://www.capitashareportal.com> to receive communication by email and to ensure that their details are up to date. This portal system can also be used to register to receive dividend payments directly into their bank accounts.

Any Shareholders may request that they are posted copies of reports either through the 'Portal' or by contacting the Company Secretary.

## Net asset value per share

The Company's NAV per share as at 30 November 2015 was 162.8 pence. The Company announces its unaudited NAV on a monthly basis.

## Dividend

The Directors have proposed a final dividend of 6.25 pence per share. The dividend will be paid on 19 February 2016 to Shareholders on the Register on 29 January 2016.

Shareholders who wish to have dividends paid directly into their bank account rather than sent by cheque to their registered address can complete a mandate for this purpose. Mandates can be obtained by telephoning the Company's Registrars, Capita Asset Services on +44 (0)371 664 0324, or by writing to them at Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or register on the Portal noted above.

## Financial calendar

December 2015	Circulation of Annual Report for the year ended 30 September 2015 to Shareholders
29 January 2016	Record date for Shareholders to be eligible for final dividend
11 February 2016	Annual General Meeting
19 February 2016	Payment date for final dividend subject to Shareholder approval at the Annual General Meeting
31 March 2016	Half year end
May 2016	Announcement of Half-Yearly Results
June 2016	Circulation of Half-Yearly Report for the six months ending 31 March 2016 to Shareholders
30 September 2016	Year-end
December 2016	Announcement of final results for the year ending 30 September 2016

## Annual General Meeting

The fourteenth Annual General Meeting (AGM) of the Company will be held on 11 February 2016 at 11.30am at The Great Chamber, The Charterhouse, Suttons Hospital, Charterhouse Square, London EC1M 6AN. Shareholders may arrive 15 minutes before the AGM starts when refreshments will be served to Shareholders. A short presentation will be given by the Investment Manager and one of the investee companies following the AGM. The Notice of the meeting is included on pages 63 to 66 of this Annual Report and a separate proxy form has been included with Shareholders' copies of this Annual Report. Proxy forms should be completed in accordance with the instructions printed thereon and sent to the Company's Registrars, Capita Asset Services at the address given on the Form, to arrive no later than 11.30 am on Tuesday 9 February 2016.

## Shareholder enquiries:

For general shareholder enquiries, please contact ISCA Administration Services Limited (the Company Secretary) on 01392 487056 or by e-mail on [unicornaimvct@iscaadmin.co.uk](mailto:unicornaimvct@iscaadmin.co.uk).

For enquiries concerning the performance of the Company, please contact the Investment Manager, Unicorn Asset Management Limited, on 020 7253 0889 or by e-mail on [info@unicornam.com](mailto:info@unicornam.com).

For enquiries relating to your shareholding, please contact Capita Asset Services on +44 (0)371 664 0324 or [VCTs@capitaregistrars.com](mailto:VCTs@capitaregistrars.com). Alternatively, you can make changes to your account, such as a change of address, by logging on to [www.capitashareportal.com](http://www.capitashareportal.com).

Electronic copies of this report and other published information can be found via the Company's website, [www.unicornaimvct.co.uk](http://www.unicornaimvct.co.uk).

## Information rights for beneficial owners of shares

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares, rather than to the Company's Registrar, Capita Asset Services, or to the Company directly.

# UNICORN AIM VCT PLC

(Registered in England and Wales No. 4266437)

## NOTICE of the ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fourteenth Annual General Meeting of Unicorn AIM VCT plc (the "Company") will be held at 11.30am on Thursday, 11 February 2016 at The Great Chamber, The Charterhouse, Suttons Hospital, Charterhouse Square, London EC1M 6AN for the purposes of considering the following resolutions of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 12 will be proposed as special resolutions:-

1. To receive and adopt the audited Annual Report and Accounts of the Company for the year ended 30 September 2015 ("Annual Report"), together with the Directors' Report and Auditor's report thereon.
2. To approve the Directors' Remuneration report as set out in the Annual Report.
3. To re-appoint BDO LLP of 55 Baker Street, London, W1U 7EU as Auditor to the Company until the conclusion of the next Annual General Meeting.
4. To authorise the Directors to determine BDO LLP's remuneration as Auditor to the Company.
5. To re-elect Peter Dicks as a Director of the Company.
6. To re-elect Jocelin Harris as a Director of the Company.
7. To re-elect James Grossman as a Director of the Company.
8. To approve the payment of a final dividend in respect of the year ended 30 September 2015 of 6.25 pence per ordinary share of 1p each, payable on 19 February 2016 to Shareholders on the register on 29 January 2016.
9. That, in substitution for any existing authorities, the Directors of the Company be and hereby are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot ordinary shares of 1p each in the Company ("Shares") and to grant rights to subscribe for, or convert any security into, Shares ("Rights") up to an aggregate nominal value of £399,901, provided that the authority conferred by this Resolution 9 shall expire (unless renewed, varied or revoked by the Company in a general meeting) on the date falling 15 months after the passing of this Resolution 9 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2017 but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or Rights to be granted after such expiry and the Directors of the Company shall be entitled to allot Shares or grant Rights pursuant to any such offers or agreements as if the authority conferred by this Resolution 9 had not expired.
10. That, subject to the passing of Resolution 9 set out in this notice and in substitution for any existing authorities, the Directors of the Company be and hereby are empowered in accordance with sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred upon them by Resolution 9 set out in this notice, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such sale or allotment, provided that the power conferred by this resolution shall be limited to:
  - (i) the allotment and issue of equity securities up to an aggregate nominal value representing £319,920 in connection with offer(s) for subscription; and
  - (ii) the allotment, otherwise than pursuant to sub-paragraph (i) above, of equity securities with an aggregate nominal value of up to, but not exceeding, 10% of the issued share capital of the Company from time to timein each case where the proceeds may be used, in whole or part, to purchase the Company's Shares in the market and provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the date falling 15 months after the passing of this Resolution 10 or, if earlier, at conclusion of the Annual General Meeting to be held in 2017, except that the Company may, before the expiry of this authority, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
11. That, in substitution for any existing authorities, the Company be and hereby is authorised pursuant to section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of its own Shares on such terms and in such manner as the Directors of the Company may determine (either for cancellation or for the retention as treasury shares for future re-issue or transfer), provided that:
  - (i) the aggregate number of Shares which may be purchased shall not exceed 11,989,036 or, if lower, such number of Shares (rounded down to the nearest whole Share) as shall equal 14.99% of the Shares in issue at the date of passing this resolution;
  - (ii) the minimum price which may be paid for a Share is 1p (the nominal value thereof);
  - (iii) the maximum price which may be paid for a Share shall be the higher of (a) an amount equal to five per cent above the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is to be purchased and (b) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003);



# UNICORN AIM VCT PLC

(Registered in England and Wales No. 4266437)

## NOTICE of the ANNUAL GENERAL MEETING

- (iv) the authority conferred by this resolution shall (unless previously renewed or revoked in general meeting) expire on the date falling 15 months after the passing of this Resolution 11 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2017; and
  - (v) the Company may make a contract or contracts to purchase its own Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own Shares in pursuance of any such contract.
12. That the amounts standing to the credit of the share premium account of the Company and the capital redemption reserve of the Company as at the date an order is made confirming such cancellation by the Court, be cancelled.

BY ORDER OF THE BOARD

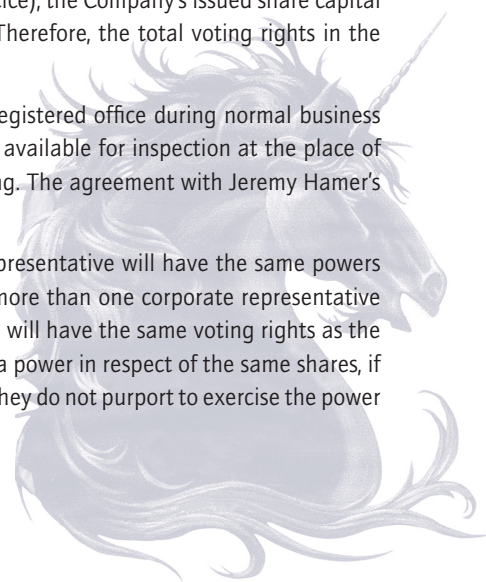
Registered Office  
2 Barnfield Crescent  
Exeter EX1 1QT  
11 December 2015

ISCA Administration Services Limited  
*Company Secretary*

### NOTES:

- (i) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting (and the number of votes that may be cast thereat), will be determined by reference to the Register of Members of the Company at the close of business on the day which is two days before the day of the meeting or of the adjourned meeting. Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (ii) A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.
- (iii) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may copy the proxy form, clearly stating on each copy the shares to which the proxy relates, or to request additional copies of the proxy form contact the Company's Registrars, Capita Asset Services, on +44 (0)371 664 0324 (lines are open between 9.00 am and 5.30 pm Monday to Friday, calls are charged at standard geographic rates and will vary by provider. Calls outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and call may be recorded and randomly monitored for security and training purposes. For legal reasons Capita Asset Services will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned together in the same envelope.
- (iv) The statement of the rights of members in relation to the appointment of proxies in paragraphs (ii) and (iii) above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
- (v) Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
- (vi) If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where the Company, in exercising one of its powers under the Act, writes to you directly for a response.

- (vii) A personal reply paid form of proxy is enclosed with this document. To be valid, the enclosed form of proxy for the meeting, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof, must be deposited at the offices of the Company's Registrar, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 11.30am on 9 February 2016 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
- (viii) If you prefer, you may return the proxy form to Capita Asset Services in an envelope addressed to FREEPOST CAPITA PXS.
- (ix) Please note that you can vote your shares electronically at [www.capitashareportal.com](http://www.capitashareportal.com)
- (x) Appointment of a proxy or CREST proxy instruction will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedure set out in these notes and the notes to the form of proxy.
- (xi) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (xii) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11.30 am on 9 February 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- (xiii) CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (xiv) As at 10 December 2015 (being the last business day prior to the publication of this notice), the Company's issued share capital comprised 79,980,231 ordinary shares of 1p each, all of which carry one vote each. Therefore, the total voting rights in the Company as at 10 December 2015 was 79,980,231.
- (xv) The Directors' appointment letters will be available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sunday and public holidays) and shall be available for inspection at the place of the Annual General Meeting for at least fifteen minutes prior to and during the meeting. The agreement with Jeremy Hamer's consultancy business will also be available for inspection.
- (xvi) If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.



# UNICORN AIM VCT PLC

(Registered in England and Wales No. 4266437)

## NOTICE of the ANNUAL GENERAL MEETING

- (xvii) Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's Auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Act to publish on a website.
- (xviii) At the meeting Shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged under section 319A of the Act to answer such questions, unless; to do so would interfere unduly with the preparation of the meeting or would involve the disclosure of confidential information, if the information has been given on the Company's website, [www.unicornaimvct.co.uk](http://www.unicornaimvct.co.uk) in the form of an answer to a question, or if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xix) Further information, including the information required by section 311A of the Act, regarding the meeting is available on the Company's website, [www.unicornaimvct.co.uk](http://www.unicornaimvct.co.uk).
- (xx) Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.
- (xxi) This notice, together with information about the total number of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting at 10 December 2015 (the business day prior to the approval of this Notice) and, if applicable, any members' statements, members' resolutions or members' matter of business received by the Company after the date of this Notice, will be available on the Company's website: [www.unicornaimvct.co.uk](http://www.unicornaimvct.co.uk).

# Corporate Information

## Directors (all non-executive)

Peter Dicks (Chairman)  
James Grossman  
Jeremy Hamer  
Jocelin Harris

## Registered office

2 Barnfield Crescent  
Exeter EX1 1QT

## Secretary & Administrator

ISCA Administration Services Limited  
Suite 8, Bridge House  
Courtenay Street,  
Newton Abbot  
TQ12 2QS

Company Registration Number : 04266437

Website : [www.unicornaimvct.co.uk](http://www.unicornaimvct.co.uk)

## Investment Manager

Unicorn Asset Management Limited  
First Floor Office  
Preacher's Court  
The Charterhouse  
Charterhouse Square  
London EC1M 6AU

## Auditor

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## Registrar

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

## VCT Tax Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

## Custodian

The Bank of New York Mellon  
One Canada Square  
London  
E14 5AL

## Solicitors

Shakespeare Martineau LLP  
No 1 Colmore Square  
Birmingham  
B4 6AA

## Stockbroker

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

## Bankers

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