

# pembroke VCT plc



## ANNUAL REPORT AND FINANCIAL STATEMENTS

for the period ended 31 March 2014



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## Financial Summary and Investment Objective

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### Financial Summary

Period ended 31 March	2014
Net assets	£18,240,318
Number of shares in issue	18,141,202
Net asset value per share	100.55p
Investment income	£158,421
<b>Profit on ordinary activities before tax</b>	
- Revenue	£(32,589)
- Capital	£503,688
<b>- Total</b>	<b>£471,099</b>
<b>Return per share</b>	
- Revenue	(0.24)p
- Capital	3.73p
<b>- Total</b>	<b>3.49p</b>

### Investment Objective

Pembroke VCT plc (the “Company”) is a generalist VCT focused on private equity style investments in the leisure and luxury brands sectors.

The Company will seek to invest in a diversified portfolio of small, principally unquoted companies, and select those which Oakley Capital Management Limited (the “Investment Adviser”) believes provide the opportunity for value appreciation.

# Chairman's Statement

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I am pleased to report on our first period of trading. We launched our Prospectus, offering subscriptions in the Company, on 15 February 2013 and, following a top-up offer in February 2014 which was fully subscribed, closed the Company to any new subscriptions in late March 2014. In total, we raised in excess of £18 million, which we believe is a very strong performance for a first-time VCT.

Investment activity has also gone well. To 31 March 2014, we have made investments in 16 portfolio companies resulting in the commitment of £11.9 million of the funds raised, £9.6 million of which was actually invested by the period end.

In general, the portfolio companies are trading in line with expectations. Given many of the investments have been made recently, and in the absence of compelling evidence to assess fair value differently, most of the Company's investments are being carried at cost. However, a number of portfolio companies have been revalued resulting in an uplift of £0.6 million from their aggregate cost at 31 March 2014.

The Board has approved an interim dividend of 3p per share in respect of the year ending 31 March 2015, to be paid in the third calendar quarter of 2014 to shareholders on the register on 20 August 2014.

## Results

The Company made a profit of £0.5 million in the period to 31 March 2014, representing a weighted profit per share of 3.49p. Income arose from the unrealised revaluation of investments (£0.6 million) and interest income, principally from loan notes provided to a number of the portfolio companies. This was offset by Company expenses and investment adviser fees amounting, in total, to £0.3 million. Total expenses in the Company (including investment adviser fees) are capped at 0.5% of net asset value per quarter.

Net asset value at 31 March 2014 was £18.2 million, equivalent to 100.55p per share. This includes the cost to NAV of the issue costs of the offer, which were fixed at 2% of the gross proceeds raised.

## Investment Performance

We believe that the Company can benefit from leveraging the previous sector experience of the Investment Adviser and also that there are likely to be synergistic advantages from grouping similar businesses. Consequently, of the 17 investments made to date (including one post the period end), all but three of them fall within one of four sectors:

- Health and Fitness
- Hospitality
- Apparel and Accessories
- Media and Technology

Investments in these sectors represent 91% of the total capital committed to portfolio companies at 31 March 2014 of £11.9 million. Of this, £3.5 million has been committed in the form of interest-bearing loan notes, and the balance in equity.

Three of the portfolio companies have had their fair values assessed as ahead of cost: Chilango, where a subsequent funding round effectively re-set the valuation; Plenish, which is trading significantly ahead of forecast; and KX Gym, which has seen an improvement in EBITDA.

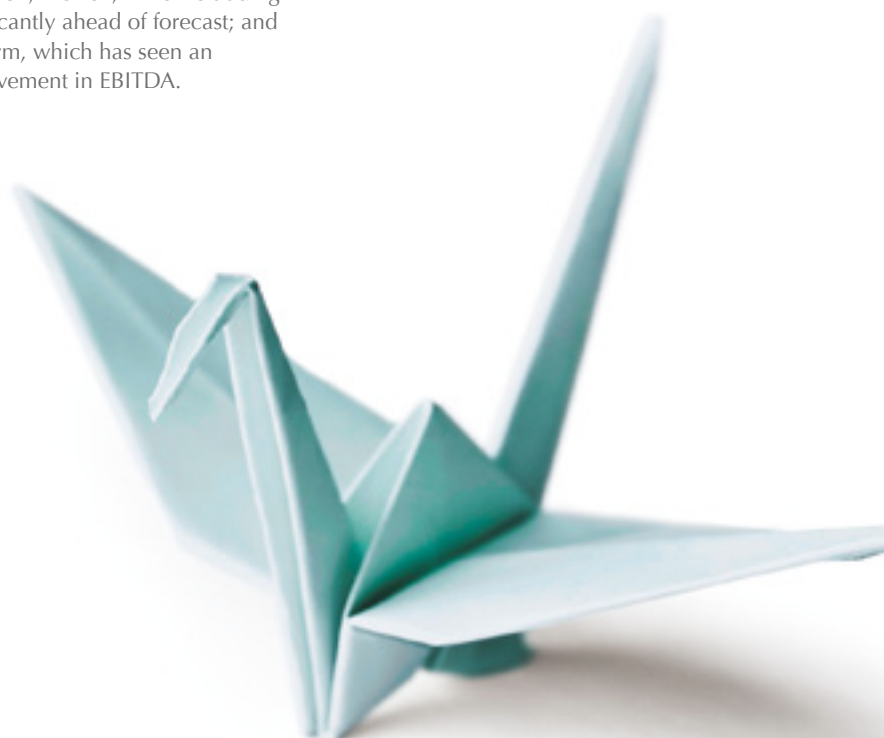
## Outlook

The pipeline of opportunities for investment remains very strong and we anticipate being fully invested, for all practical purposes, by the end of September 2014, just 18 months after the Company's launch. In light of the successful fund raising and subsequent progress, we are pursuing a second fundraising later in 2014.

## Annual General Meeting

The AGM will be held at Oakley Capital Management's offices at 3 Cadogan Gate, London SW1X 0AS on 28 August 2014 at 11.00 am.

Jonathan Djanogly  
Chairman  
25 June 2014



## The Board

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### Jonathan Djanogly

*Independent non-executive Chairman*

Jonathan is a solicitor and was, for over ten years, a corporate partner at City law firm SJ Berwin LLP. He specialised in mergers and acquisitions, private equity and joint ventures as well as fund raising on public markets. Jonathan has been a Member of Parliament since 2001, in which capacity he served for approximately four years as a Member of the Trade and Industry Select Committee. Between 2005 and 2010, he also served on the Opposition front bench as shadow Solicitor General and as a shadow Minister for Trade and Industry with responsibility for employment law and corporate governance. From 2010 Jonathan served as a Justice Minister for over two years and since 2012 he has been a consultant at international law firm, King & Wood Mallesons.

### Laurence Blackall

*Independent non-executive Director*

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

### Peter Dubens

*Non-independent  
non-executive Director*

Peter Dubens is the founder of Oakley Capital, a privately owned asset management and advisory group comprising private equity, fund of funds, corporate finance, capital introduction and venture capital operations managing over US\$950 million, that was founded in 2002. Peter is the managing partner of Oakley Capital Limited, the investment adviser to Oakley Capital Private Equity L.P., a European mid-market private equity fund that invests in performing and under-performing companies, and supports buy and build strategies, rapid growth, or businesses undergoing significant operational or strategic change. During the last 23 years Peter has acquired, restructured and consolidated public and private companies. As executive chairman, he led the formation of two public companies, being 365 Media Group plc and Pipex Communications plc (now Daisy Group plc). The 365 Media platform consolidated 12 businesses within the online sports information and betting industry and the Pipex platform consolidated 14 businesses within the telecoms and internet industries. 365 Media was sold for over £102 million to BSkyB and the main operating divisions of Pipex were sold for approximately £370 million.

Peter will focus on deal origination in relation to the Company.

# Investments



# Investment Adviser's Review

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## Overview

The Company has made 16 investments in the period to 31 March 2014 in a diverse group of companies focusing on the health and fitness, hospitality, apparel and accessories, and media and technology sectors.

## Portfolio review

With the 17 investments (including one post the period end) the Company has committed a total of £11.9 million (representing 65% of net assets) and has invested £9.6 million to date (representing 53% of net assets). All of these investments have been in unquoted companies, with £2.0 million in the form of loan notes and the balance in ordinary equity with full voting rights.

The Company has made two follow-on investments in the period in Chucs Bar & Grill and Chilango of £50,000 and £100,000 respectively, with the latter at a 32% higher valuation, which has been reflected in the fair value of Chilango at the period end.

## Valuation

In accordance with the International Private Equity and Venture Capital (IPEVC) valuation guidelines, the Company has held its investments at cost (except Chilango, Plenish and KX Gym). We consider cost to be a fair value, given that they were all made within the past 12 months and no evidence of significant movement from the original investment appraisal has been observed.

Due to their trading performance, we have assessed the fair value of Plenish and KX Gym to be higher than cost, in accordance with IPEVC guidelines. Consequently we are now holding Plenish at £302,533 (representing a 35% uplift) and KX Gym at £1,085,499 (representing a 55% uplift).





## Investment Portfolio

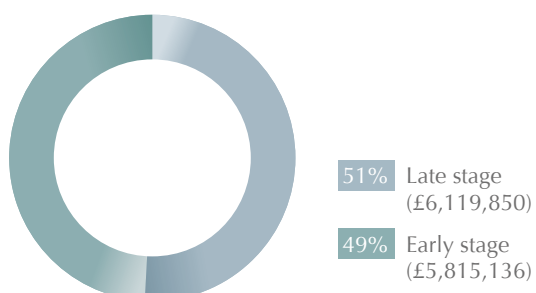
as at 31 March 2014

	Cost	Fair value	% of net assets
<b>Health and Fitness</b>			
Boom Cycle	£257,820	£257,820	1.4%
KX Gym	£700,000	£1,085,499	5.9%
Plenish	£225,000	£302,533	1.7%
Dilly & Wolf (previously B Healthy Snacks)	£120,000	£120,000	0.7%
<b>Hospitality</b>			
Chilango	£449,850	£595,040	3.3%
Premium fast-food restaurant chain	£471,200	£471,200	2.6%
La Bottega	£1,690,000	£1,690,000	9.3%
Chucs Bar and Grill Ltd	£264,278	£264,278	1.4%
Second Home	£525,074	£525,074	2.9%
<b>Apparel and Accessories</b>			
Kat Maconie	£320,000	£320,000	1.7%
Troubadour Goods	£440,000	£440,000	2.4%
Bella Freud (retail)	£250,000	£250,000	1.4%
Chucs Ltd	£790,039	£790,039	4.3%
<b>Media and Technology</b>			
Boat International	£2,100,000	£2,100,000	11.5%
Rated People	£489,978	£489,978	2.7%
Zenos	£500,000	£500,000	2.7%
<b>Total investments</b>	<b>£9,593,239</b>	<b>£10,201,461</b>	<b>55.9%</b>
Interest rolled up in fixed income investments <sup>1</sup>	£150,280	£150,280	0.8%
<b>Net current assets</b>	<b>£7,888,577</b>	<b>£7,888,577</b>	<b>43.3%</b>
<b>Net assets</b>	<b>£17,632,096</b>	<b>£18,240,318</b>	<b>100.0%</b>

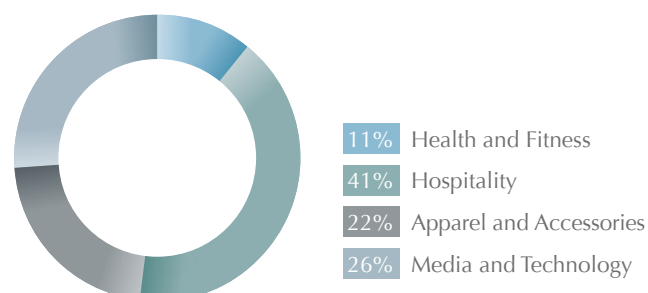
<sup>1</sup>Added to investments in Financial Statements

## Segment analysis

The charts below show the segment analyses of the investments committed by the Company at 31 March 2014.



**Total investments £11,934,986**



**Total investments by industry group**

# Investment Review

as at 31 March 2014

## Health and Fitness

### Boom Cycle

Boom Cycle is a new indoor cycling concept which offers a fun high intensity cardiovascular workout. The business currently has two studios based in Shoreditch and Holborn where they combine indoor spin cycling with various exercise classes for both upper and lower body work-outs. Boom Cycle is one of the first dedicated spinning studios in London, and it has the potential to replicate the success of some larger players in the US (e.g. Soul Cycle and Fly Wheel). The investment will be used to help roll out the concept across London.

Cost	£257,820
Valuation	£257,820
Basis of valuation	Cost
Equity holding	27.2%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil

### KX Gym

KX Gym, founded in 2002, is a private members' gym and spa, which includes a restaurant and clubroom, located in Chelsea, London. KX offers members an exclusive holistic approach to wellbeing, incorporating fitness, diet and relaxation. Their strategy is to retain exclusivity (minimal volume growth, modest membership fee increase), increase secondary spend (restaurant, spa, personal training), and to continue to build the KX brand to offer other associated products (e.g. KX Life, KX Urban and KX Concierge).

Cost	£700,000
Valuation	£1,085,499
Basis of valuation	EBITDA multiple
Equity holding	11.8%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil

### Plenish

Plenish, founded in 2012, is one of the leading cold-pressed juicing businesses in the UK, offering 100% raw (unpasteurised) juice. Cold-press juicing is a convenient way to pack a large amount of vegetables and fruit into your diet. The company offers both a full body cleanse package and off-the-shelf juice bottles (250ml). The company is currently selling via two main channels: online and through select wholesale accounts (e.g. Selfridges, Planet Organic, Harvey Nichols, The Natural Kitchen and Daylesford Organic). Cold press juicing is in its early stages in the UK, and therefore represents an attractive growth opportunity.

Cost	£225,000
Valuation	£302,533
Basis of valuation	Sales multiple
Equity holding	28.7%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil

### Dilly & Wolf

Founded in 2013, Dilly & Wolf is a new premium snack brand. The company produces tasty and nourishing food using globally inspired recipes such as kabuki beans, quinoa and fava beans. The company plans to launch in Selfridges in mid-2014 with at least five products. The snack market in the UK is competitive, however the company believes there is an opportunity to launch a wholesome and nutritious snack brand which competes at a premium level.

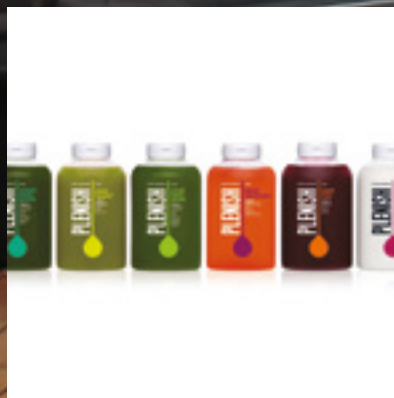
Cost	£120,000
Valuation	£120,000
Basis of valuation	Cost
Equity holding	21.3%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil

## Investment Review

main pic: KX Gym



Boom Cycle



Plenish



Dilly & Wolf

# Investment Review

## Hospitality

### Chilango

Chilango is a fast-casual Mexican restaurant chain concept based on successful US business models. There are currently six restaurants in London: Upper Street, Fleet Street, Chancery Lane, London Wall, Brushfield Street and Leather Lane.

Cost	£449,850
Valuation	£595,040
Basis of valuation	Most recent funding round
Equity holding	3.0%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil

### Premium fast-food restaurant chain

The company serves a range of hand-made burgers made with fresh locally sourced beef and cooked on a grill, along with fresh-cut fries cooked in pure peanut oil, served with unlimited toppings. Currently there are seven restaurants in SE England. The investment will be used to roll-out the brand across the UK.

Cost	£471,200
Valuation	£471,200
Basis of valuation	Cost
Equity holding	n/a
Income accrued to VCT in p/e 31 March 2014	£37,489
Income paid to VCT in p/e 31 March 2014	£nil

### La Bottega

La Bottega is an Italian chain of delicatessens in London, which serve high quality authentic Italian food and coffee. The food is sourced either locally (cold meats, pastries, drinks and other grocery items) or direct from Italy. Currently there are six shops trading in London in Chelsea, Belgravia, South Kensington, Ryder Street, Berners Street and Pont Street. The investment will be used to provide expansion capital to open multiple new sites across selected neighbourhoods in London.

Cost	£1,690,000
Valuation	£1,690,000
Basis of valuation	Cost
Equity holding	40.0%
Income accrued to VCT in p/e 31 March 2014	£99,452
Income paid to VCT in p/e 31 March 2014	£nil

### Chucs Bar & Grill Limited

Chucs Bar & Grill will be a new restaurant/bar which will reflect the same style and branding of the Chucs retail brand. The restaurant will be situated on Dover Street in Mayfair, next door to the Chucs retail store, and is expected to launch in mid-2014. Chucs Bar & Grill will have about 18 covers inside and 8 covers outside, serving food and drinks all day and offering different menus for breakfast, lunch, tea and dinner with an array of cocktails in the evening. Combining the Chucs retail offering with a restaurant will create an innovative consumer experience. The investment proceeds will be used to acquire the lease, fund fit-out costs and provide working capital.

Cost	£264,278
Valuation	£264,278
Basis of valuation	Cost
Equity holding	31.5%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil



## Investment Review

main pic: La Bottega



Chilango



Premium Fast-food restaurant chain



Chucs Bar & Grill

## Investment Review

### Second Home

Second Home is a new venture which will offer flexible and modern office space for fast-growing technology firms and creative businesses. Combining architectural design with first class amenities, Second Home will provide users with a unique and impressive office environment in which to locate their business for short, medium and long-term. The investment will be used in part to fund the acquisition and fit-out of the first site in East London near Liverpool Street station.

Cost	£525,074
Valuation	£525,074
Basis of valuation	Cost
Equity holding	4.4%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil

### Apparel and accessories

#### Kat Maconie

Kat Maconie, founded in 2008, designs and manufactures ladies' shoes which are sold online, in department stores and in boutiques globally. Kat Maconie and her team design the shoes in house and they are produced in Brazil. The investment will be used to expand the main line collections, enhance sales and marketing efforts, and develop an e-commerce platform for the business.

Cost	£320,000
Valuation	£320,000
Basis of valuation	Cost
Equity holding	32.0%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil

#### Troubadour

Troubadour Goods is a London-based luxury men's accessories brand specialising in designing and creating superior handcrafted leather goods. Troubadour features a line of seven leather pieces ranging from a wallet to a weekend bag. The products are available at the brand's e-commerce website and at four UK retailers, including Harrods, Oki-ni and Autograph. The investment will be used to broaden the product portfolio, drive sales and marketing, and provide funds for working capital.

Cost	£440,000
Valuation	£440,000
Basis of valuation	Cost
Equity holding	44.3%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil

#### Bella Freud

Bella Freud is a fashion designer and manufacturer producing a range of high-end men's and women's clothing, focusing on knitwear. Currently her products are available at her own website and through a range of other online retailers (e.g. Net-A-Porter and Space NK). The investment will be used to develop an e-commerce platform, expand the collections and provide cashflow to fund production.

Cost	£250,000
Valuation	£250,000
Basis of valuation	Cost
Equity holding	27.9%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil



## Investment Review

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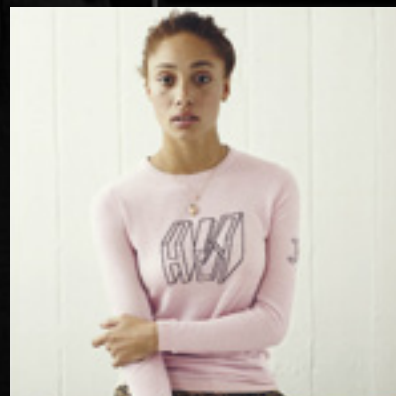
*main pic: Troubadour*



*Second Home*



*Kat Maconie*



*Bella Freud*

## Investment Review

### Chucs Limited

Chucs is a luxury brand of men's and women's outdoor wear. The product range falls into two main areas, focusing on beach and mountain with classic and sport in both lines. Chucs currently sells via their online store, a retail store on Dover Street, London and through a number of stockists (including Mr Porter and Holt Renfrew). The investment will be used to refine the mainline collections, expand their wholesale presence and enhance sales and marketing.

Cost	£790,039
Valuation	£790,039
Basis of valuation	Cost
Equity holding	31.5%
Income accrued to VCT in p/e 31 March 2014	£2,819
Income paid to VCT in p/e 31 March 2014	£nil

### Media and Technology

#### Boat International Media

Recognised as the world's leading media group serving the superyacht industry, Boat International Media provides information and services across traditional print, digital media and high quality events. Boat International publishes more than 1.4 million magazines annually, sells in over 57 countries worldwide and organises eight annual events including awards ceremonies, regattas and industry symposia. The Company has led a consortium of investors to complete a management buyout which has reduced debt in the business, allowing the company to support its growth strategy. Management will continue to develop the print media platform and accelerate the transition to digital.

Cost	£2,100,000
Valuation	£2,100,000
Basis of valuation	Cost
Equity holding	21.0%
Income accrued to VCT in p/e 31 March 2014	£10,520
Income paid to VCT in p/e 31 March 2014	£nil

#### Rated People

Rated People, founded in 2005, is one of the UK's leading online market places for homeowners to find tradesmen for home improvement jobs. The platform has around 24,000 tradesmen throughout the UK, for which over 380,000 ratings have been provided by homeowners who have used them. The investment will be used to enhance sales and marketing, and to identify acquisition opportunities to improve the service offering and user experience.

Cost	£489,978
Valuation	£489,978
Basis of valuation	Cost
Equity holding	About 3%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil

#### Zenos Cars

Zenos Cars has created lightweight sports cars that provide thrilling driveability and performance at an affordable price point. The business plans to deliver its first product in early 2015. Zenos is led by Ansar Ali and Mark Edwards, previously chief executive officer and chief operating officer respectively of Caterham cars. The investment will be used to fund the manufacture of the pre-production test car and provide working capital for production of the order book in 2015.

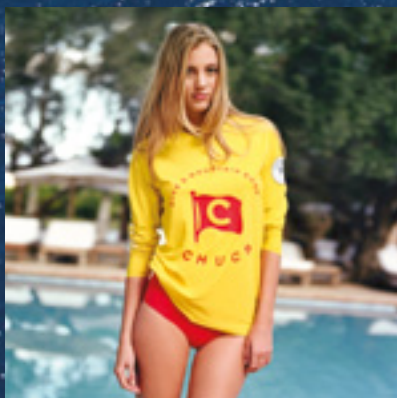
Cost	£500,000
Valuation	£500,000
Basis of valuation	Cost
Equity holding	15.9%
Income accrued to VCT in p/e 31 March 2014	£nil
Income paid to VCT in p/e 31 March 2014	£nil



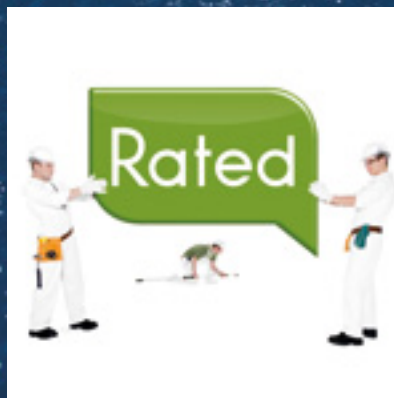
## Investment Review

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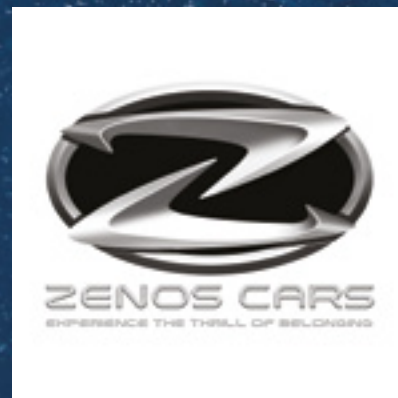
*main pic: Boat International Media*



*Chucs Limited*



*Rated People*



*Zenos Cars*

# Statutory Reports



# Strategic Report

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This report has been prepared by the Directors in accordance with the requirements of Section 414 of the Companies Act 2006 and incorporates the Financial Summary, Chairman's Statement and Investment Reviews.

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company for shareholders' collective benefit.

## Investment strategy

The Investment objective of the Company is to generate tax free capital gains and income on investors' funds through investment primarily in companies within the leisure and luxury brands sectors, whilst mitigating risk appropriately within the framework of the structural requirements imposed on all VCTs.

## Investment policy

The Company will continue to invest primarily in unquoted companies, across a diverse range of businesses; predominantly those which the Investment Adviser considers are capable of organic growth and, in the long term, sustainable cash flow generation. The investments will be focused towards consumer-facing businesses with an established brand or where brand development opportunities exist. The Company will continue its strategy of investing in a small portfolio of qualifying investments where, in most cases, the Investment Adviser is able to exert influence over key elements of each investee company's strategy and operations. Investee companies may be at any stage in their development from start-up to established businesses, however the Company aims to invest broadly 60% in established and 40% in early-stage businesses. It is expected that a substantial proportion of the qualifying investments will be in the form of ordinary shares, and in some cases preference shares or loans.

It is anticipated that, at any time, up to 30% of investments will be held in non-qualifying investments, recognising that no single investment will represent more than 15% of net assets (at the time of investment). Until suitable qualifying investments are identified, up to 30% of net assets will be invested in a portfolio of investments which may include unquoted companies, money market securities, gilts and cash deposits. The portfolio of non-qualifying investments will be managed with the intention of generating a positive return.

## Business review

A detailed review of the Company's development and performance during the period and consideration of its future prospects may be obtained by reference to this Report, the Chairman's Statement (page 5) and the Investment Adviser's Review (page 8). Details of the investments made by the Company are given in the Investment Portfolio summary (page 9) and the Investment Review report (pages 10 to 17). A summary of the Company's key financial measures is given on page 4.

## Management agreement

Oakley Capital Management Limited ("OCML") is the current Investment Adviser of the Company and was appointed on 15 February 2013. The Investment Adviser is authorised and regulated by the Financial Conduct Authority ("FCA") to conduct investment business. In view of the range of services provided and the diverse investment mandates undertaken by the Oakley group and the Investment Adviser, the Oakley group believe that the interests of the Oakley group and its investors would be better served by having the Company and other similar investment management mandates undertaken by an investment adviser separate from the Oakley group. Therefore, it is proposed that a new entity, Pembroke Investment Managers

LLP ("PM"), will act as investment adviser to the Company. PM's application for the necessary authorisation and regulatory permissions from the FCA for PM to conduct investment business has recently been approved. It is intended that the Investment Management Agreement ("IMA") be novated across to PM very shortly. There will be no change in the terms of the IMA or any fee chargeable to the Company under the IMA. The management team to the Company will remain the same.

The Investment Adviser has agreed with the Company that it will indemnify the Company if the total annual running costs of the Company are more than 0.5% of net asset value per quarter. Otherwise, the Investment Adviser will receive an annual investment management fee only if, and to the extent that, the annual running costs (disregarding any annual management fee payable) amount to less than 0.5% of the Company's NAV per quarter. In such a case the management fee (exclusive of VAT) will be payable quarterly in advance.

As is customary in the venture capital industry, the Investment Adviser will receive an incentive fee when the Company has performed well. In order to ensure that the interests of the Investment Adviser and shareholders are aligned, and to provide a strong incentive to the Investment Adviser, a performance fee will not be payable until distributions (whether of capital or income) to shareholders have exceeded certain thresholds. The Investment Adviser will receive performance related incentive fees (exclusive of VAT) of 20% of any amounts distributed to shareholders in excess of £1 per share provided that shareholders have received a return of 8% per annum per share (calculated on a daily basis and not compounded) on the amount subscribed per share as from the date of the last allotment.



## Strategic Report – continued

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Where, at the time of a distribution there have been previous distributions to shareholders, the return will be calculated from the day after the previous distribution date on the total amount subscribed per share by shareholders but reduced by the aggregate amount of such previous distributions made on a per share basis. There will be no change in the application of the above fees following the change of Investment Adviser described above.

The Directors therefore consider that it is in the interests of the shareholders for the appointment of OCML and, through novation of the IMA, PM to continue.

### Venture Capital Trust status

The Company was granted provisional approval as a Venture Capital Trust by HM Revenue & Customs under section 274 of the Income Tax Act 2007. The Directors have managed the affairs of the Company in compliance with this section throughout the period under review and intend to continue to do so.

### Risk management

The Board has adopted a risk management programme whereby it continually identifies the principal risks faced by the Company and reviews both the nature and effectiveness of the internal controls adopted to protect the Company from such risks as far as is possible. The principal risks facing the Company are Venture Capital Trust status risk and investment valuation and liquidity risk.

### Venture Capital Trust status risk

The Company is required to fulfil certain criteria in order to maintain its VCT status. Where full approval as a VCT is not maintained, this could

potentially result in the loss of tax relief (i.e. capital gains and income tax relief) which have been provided to both the Company and investors alike. The Investment Adviser continually monitors compliance with the relevant VCT regulations, and has engaged PricewaterhouseCoopers LLP to provide periodic reports to ensure compliance.

### Investment valuation and liquidity risk

The Company invests in small to medium sized businesses, some of which are start-up companies. As such, there is an inherent degree of risk and lower liquidity than is the case when investing in larger, established quoted companies. The Investment Adviser performs extensive in-house due diligence on all investments, and also engages independent third-party providers when the investments are of a certain size or complexity. In addition to due diligence, the Company aims to diversify its portfolio by investing in a range of industries and companies at varying stages of development.

### Internal control risk

Failures in key controls – in particular those designed to mitigate Venture Capital Trust status risk and investment valuation and liquidity risk – within the Board or within the Investment Adviser's business, could put assets of the Company at risk or result in reduced or inaccurate information being passed to the Board or to shareholders.

The Board seeks to mitigate the internal control risk by setting policy, regular reviews of performance, enforcement of contractual obligations and monitoring progress and compliance. Details of the Company's internal controls are included within the Corporate Governance Statement.

### Economic risk

Events such as economic recession and movement in interest rates can affect investor sentiment towards liquidity risk, and hence have a negative impact on the valuation of smaller companies. The Investment Adviser seeks to mitigate this risk by seeking to adopt a suitable investment style for the current point in the business cycle, and to diversify the exposure to geographic end markets.

### Operational risk

Failure of the Investment Adviser's, or other contracted third parties', accounting systems or disruption to their businesses might lead to an inability to provide accurate reporting and monitoring or loss to shareholders. The Investment Adviser regularly reviews the performance of third-party suppliers at management meetings and the Directors review the performance of the Investment Adviser at Board meetings.

### Social, environmental, community and human rights issues

The Company had no employees during the period and the Company has three Directors, all of whom are male. The Company, being an externally managed investment company with no employees, has no policies in relation to environmental matters, social, community and human rights issues. The Investment Adviser has detailed procedures in place covering the giving, receiving, authorising and recording of gifts and hospitality by staff of the Investment Adviser.

By Order of the Board  
The City Partnership (UK) Limited  
Company Secretary  
25 June 2014

# Directors' Report

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This Directors' Report incorporates the Corporate Governance Statement on pages 26 to 28.

## Principal activity and status

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

## Directors

The Directors of the Company during the period under review were Jonathan Djanogly, Laurence Blackall and Peter Dubens. Brief biographical details of the Directors are given on page 6. All Directors will be subject to election at the Annual General Meeting in 2014 being the first Annual General Meeting of the Company.

The Directors appointed at incorporation were Michael Harris and HK Nominees Limited. They resigned as Directors on 27 November 2012.

## Dividend

The Directors have approved an interim dividend of 3p per share in respect of the year ending 31 March 2015, to be paid in the third calendar quarter of 2014 to shareholders on the register on 20 August 2014.

## Share capital

As at 31 March 2014 a total of 18,141,202 ordinary shares of 1p each of the Company were in issue. During the period from April 2013 to February 2014 a total of 16,492,000 ordinary shares were issued at a price of £1 per share, in accordance with the terms of the offer for subscription dated 15 February 2013. On 31 March 2014 1,649,200 ordinary shares were issued at a price of £1 per share, in accordance with the terms of the Top up Offer 2013/14 and 2014/15.

The Company was incorporated on 26 November 2012. On incorporation two Ordinary shares were issued – £nil paid – to the subscribers to the Memorandum of Association of the Company.

On 27 November 2012, 50,000 Redeemable Preference Shares in the Company were allotted and issued to Oakley Capital Management Limited and paid up on 15 April and 23 July 2013. On 24 July 2013 the redeemable preference shares were fully redeemed and subsequently cancelled.

The rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House. The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's report and accounts, to attend and speak at general meetings, to appoint proxies and to exercise voting rights. There are no restrictions on the voting rights attaching to the Company's shares or the transfer of securities in the Company.

The Company will consider requests to buy back shares but is mindful that investment in the Company was promoted as comparatively long-term with venture capital portfolios typically taking from five to seven years to mature.

## Special reserve

By a special resolution of the Company passed at an extraordinary general meeting of the Company held on 27 November 2012, the Company was authorised to cancel the amount standing to the credit of the share premium account of the Company at the date the order was made confirming such cancellation. Court approval was granted on 26 March 2014. The cancellation of the share premium account created a special reserve that can be used, amongst other things, to pay dividends and fund buy-backs of the Company's shares when the Board considers that it is in the best interests of the Company to do so.

## Substantial shareholdings

As at the date of this report the Company was aware of the undernoted individual shareholdings exceeding 3% of the issued share capital:

- Roy Nominees Limited, 20.2% (3,464,000 shares).

## Independent Auditor

A resolution to appoint Grant Thornton UK LLP as Independent Auditor will be proposed at the forthcoming Annual General Meeting.

## Accountability and audit

The Directors' responsibility statement in respect of the Financial Statements is set out on page 29 of this report. The report of the Independent Auditor is set out on pages 30 and 31 of this report. The Directors who were in office on the date of approval of these Financial Statements have confirmed that, as far as they were aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information that has been communicated to the auditors.

## Future developments

The primary focus will continue to be on the development of an investment portfolio which will deliver attractive returns over the medium to longer term. The Company will continue to provide support for the ongoing development of investee companies and the Company's Investment Adviser will continue to work closely with all investee companies towards accelerating their growth and identifying possible exits in the short to mid-term. Further details on the Company's future prospects may be found in the Outlook paragraph in the Chairman's Statement on page 5. Details of post-balance-sheet events may be found at note 18 to the Financial Statements.

## Directors' Report – continued

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### Going concern

After making enquiries, the Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, the going concern basis has been adopted in the preparation of the Company's Financial Statements.

### Financial instruments

Information on the principal financial instruments held by the Company may be found in the Investment Review forming part of the Strategic Report and at note 16 to the Financial Statements.

### Global greenhouse gas emissions

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

### Annual General Meeting

The Annual General Meeting will be held at Oakley Capital Management's offices at 3 Cadogan Gate, London SW1X 0AS on 28 August 2014 at 11.00 am. The following denotes the business to take place:

### Ordinary resolutions

#### **Resolution 1: Approval of the Annual Report**

Shareholders will be asked to receive the Directors' Report and Financial Statements for the financial period ended 31 March 2014, together with the Independent Auditor's report thereon.

#### **Resolution 2: Approval of the Directors' Remuneration Policy**

This resolution proposes the approval of the Directors' Remuneration Policy as set out on page 23.

#### **Resolution 3: Approval of the Directors' Remuneration Report**

Under The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) the Company is required to produce a Directors' Annual Report on Remuneration and to seek shareholder approval for that report at the Annual General Meeting. The Directors' Annual Report on Remuneration is on pages 23 and 24 of the Annual Report.

#### **Resolutions 4 and 5: Appointment of auditor and auditor's remuneration**

These resolutions provide for the appointment of Grant Thornton UK LLP as Independent Auditor to the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and to authorise the Directors to fix the auditor's remuneration.

#### **Resolution 6: Election of Jonathan Djanogly**

Jonathan Djanogly offers himself for election.

#### **Resolution 7: Election of Laurence Blackall**

Laurence Blackall offers himself for election.

#### **Resolution 8: Election of Peter Dubens**

Peter Dubens offers himself for election.

#### **Resolution 9: Renewal of authority for Directors to allot shares**

Shareholders will be asked to renew the Directors' authority to allot shares up to an aggregate nominal value of £48,141.

### Special resolutions

#### **Resolution 10: Renewal of authority for Directors to disapply pre-emption rights in respect of their authority to allot shares**

Shareholders will be asked to renew the Directors' authority to disapply pre-emption rights in respect of their authority to allot unissued ordinary shares of the Company up to an aggregate nominal amount of £48,141.

If the Directors wish to allot any of the unissued ordinary shares for cash they must, in the first instance, offer them to existing shareholders in proportion to their shareholding. There are occasions when the Directors will need the flexibility to finance business opportunities by issue of ordinary shares without a pre-emptive offer to existing shareholders. This authority will expire on the earlier of the date of the next Annual General Meeting of the Company in 2015 and the date which is 15 months after the date on which this resolution is passed.

#### **Resolution 11: Renewal of authority for the Company to purchase its own shares**

The Directors are aware that there is an illiquid market in the Company's shares. The Directors therefore consider that the Company should have the ability to make market purchases of its ordinary shares in the market for cancellation. A special resolution will be proposed at the Annual General Meeting seeking authority for the Company to purchase up to 14.99% of the issued share capital as at the date of the Annual General Meeting. This authority will expire on the earlier of the date of the Company's Annual General Meeting to be held in 2015 and the date which is 15 months after the date on which this resolution is passed.

By Order of the Board  
The City Partnership (UK) Limited  
Company Secretary  
25 June 2014

# Directors' Remuneration Report

This report has been prepared by the Directors in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the "Regulations"). Ordinary resolutions for the approval of the Directors' Remuneration Policy and the Directors' Annual Report on Remuneration will be put to members at the forthcoming Annual General Meeting.

The Company's auditors, Grant Thornton UK LLP, are required to give their opinion on certain information included in this report. The disclosures which have been audited are indicated as such. The auditor's opinion on these and other matters is set out in their report on pages 30 and 31.

## Annual Statement from the Chairman of the Company

All of the Directors began their term on 27 November 2012. There have been no changes to Directors' remuneration during the period. Directors' fees are reviewed annually and are set by the Board to attract individuals with the appropriate range of skills and experience. In determining the level of fees, their duties and responsibilities are considered, together with the level of time commitment required in preparing for and attending meetings.

As all the Directors are non-executive, it is not considered appropriate to appoint a nomination or remuneration committee. Any decisions on remuneration are taken by the Board as a whole.

## Directors' Remuneration Policy

The Board considers that Directors' fees should reflect the time commitment required and the high level of responsibility borne by Directors, and should be broadly comparable to the fees paid by similar companies while ensuring that the fees payable are appropriate to retain individuals of sufficient calibre to lead the Company in achieving its short and long-term strategy. The Company's Articles of Association place an overall limit of £100,000 on Directors' remuneration. None of the Directors is eligible for pension benefits, share options, bonuses or other benefits in respect of their services as non-executive Directors of the Company. The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration.

Assuming this policy is approved by the members at the forthcoming AGM it is intended that this policy will continue for the year ending 31 March 2015 and subsequent years. In accordance with the Regulations, a binding ordinary resolution to approve the Directors' Remuneration

Policy will be put to shareholders at least once every three years.

## Terms of appointment

None of the Directors has a service contract with the Company. On being appointed, all Directors received a letter from the Company setting out the terms of their appointment, details of the fees payable and their specific duties and responsibilities. A Director's appointment may be terminated by the Director or by the Company on the expiry of three months' notice in writing given by the Director or the Company as the case may be. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors to compensation for loss of office. The letters of appointment are available for inspection on request from the company secretary.

The Company's Articles of Association provide that the Directors will be subject to election at the first Annual General Meeting after their appointment and at least every three years thereafter.

Jonathan Djanogly, Laurence Blackall and Peter Dubens are subject to election at the Annual General Meeting in 2014, being the first Annual General Meeting held since their appointment as Directors.

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

## Directors' Annual Report on Remuneration

### Directors' fees for the period (audited)

The fees payable to individual Directors in respect of the period ended 31 March 2014 are shown in the table below.

Director	Total annual fee £	Total fee paid for period ended 31 March 2014
Jonathan Djanogly	20,000	19,726
Laurence Blackall	15,000	14,795
Peter Dubens*	15,000	—

*\*Peter Dubens agreed not to draw a fee before 15 months elapsed from the date of the first allotment of shares.*

No taxable benefits were paid to the Directors, no pension related benefits were paid to the Directors and no money or other assets were received or receivable to Directors. There were no fees payable to past directors or payments made for loss of office.

Fees are not specifically related to the Directors' performance, either individually or collectively. Peter Dubens, as director and shareholder of the Investment Adviser, will benefit from performance related fees paid to the Investment Adviser. Details of these incentive fees are disclosed within note 3 to the Financial Statements.

## Relative importance of spend on pay

As this is the Company's first period of trading there are no comparatives available and no distributions were made to shareholders during the period. Fees paid to Directors during the period represented 12.7% of total expenses.

## Directors' Remuneration Report – continued

### Directors' shareholdings (audited)

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

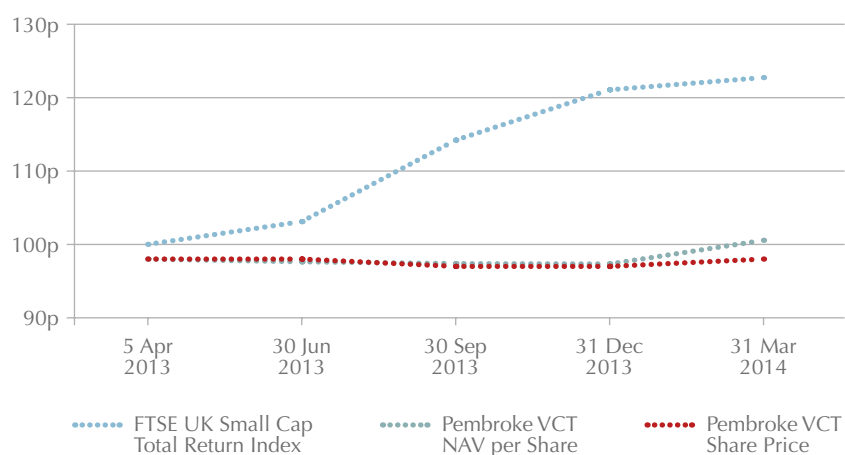
Director	As at 31 March 2014	
	Shares held	% of shares in issue
Jonathan Djanogly	25,000	0.14
Laurence Blackall	200,000	1.10
Peter Dubens	400,000	2.20
HK Nominees Limited (resigned 3 December 2012)	1	0.00

There have been no changes in the holdings of the Directors between 31 March 2014 and the date of this report.

### Company performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Adviser through a management agreement. The Directors consider that, given the early stage of the Company, any comparison of investment performance with a relevant index would be misleading. However a comparison is required by law and is therefore provided below.

The graph compares the Company's share price and net asset value per share total return with the total return from a notional investment of 100p in the FTSE UK Small Cap Index over the same period. This index is considered to be the most appropriate broad equity index for comparative purposes.



An ordinary resolution for the approval of the Directors' Annual Report on Remuneration will be put to shareholders at the forthcoming AGM.

On behalf of the Board

Jonathan Djanogly

Director

25 June 2014



# Governance



# Corporate Governance Statement

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The Directors of Pembroke VCT plc confirm that the Company has taken appropriate action to enable it to comply with the Principles of the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council in September 2012.

As a Venture Capital Trust, most of the Company's day-to-day responsibilities are delegated to third parties and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company. Apart from the matters referred to in the following paragraphs, the requirements of the Code were complied with throughout the period ended 31 March 2014.

In view of its non-executive nature and the requirements of the Company's Articles of Association that all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and thereafter every third Annual General Meeting, the Board considers that it is not appropriate for the Directors to be appointed for a specific term as recommended by the Code. Full details of duties and obligations are provided at the time of appointment and are supplemented by further details as necessary. In light of the responsibilities retained by the Board and the Audit Committee and of the responsibilities delegated to the Investment Adviser, PricewaterhouseCoopers LLP and the company secretary, the Company has not appointed a chief executive, deputy chairman or a senior independent non-executive Director. There is no formal induction programme for Directors but any newly appointed Director will be given a comprehensive introduction to the Company's business, including meeting the Company's advisers.

Being an externally managed investment company, the Company does not have an independent internal audit function. Such a function is thought by the Board to be unnecessary given the size of the Company and the nature of its business.

## Board of Directors

The Company has a Board of three non-executive Directors, two of whom are considered to be independent. The third Director, Peter Dubens, is also a director of the Investment Adviser. The Company has no employees.

All non-executive Directors have signed letters confirming the terms of their appointment as non-executive Directors with effect from 5 April 2013. As these initial appointments were made by the Board, the Company's shareholders are invited to confirm the appointments at the forthcoming Annual General Meeting. The letters of appointment will be available for inspection by shareholders immediately before and after each Annual General Meeting.

Directors are provided with key information on the Company's activities including regulatory and statutory requirements and internal controls by the Company's VCT status adviser, PricewaterhouseCoopers LLP, and by the company secretary, The City Partnership (UK) Limited. The Board has direct access to corporate governance advice and compliance services through the company secretary, which is responsible for ensuring that Board procedures are followed and compliance requirements are met.

All Directors may take independent professional advice in furtherance of their duties as necessary.

The Board is responsible to shareholders for the proper management of the Company and looks to meet on at least four occasions each year. It has formally adopted a schedule of matters which must be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. Those matters include the appointment or removal of the Investment Adviser and monitoring the performance of the Investment Adviser and investee companies. The Chairman and the company secretary establish the agenda for each Board meeting and all necessary papers are distributed in advance of the meetings.

## Board performance

The Board intends to carry out a performance evaluation of the Board, the Audit Committee and individual Directors in the coming year. Due to the size of the Company, the fact that all Directors are non-executive and the costs involved, external facilitators will not be used in the evaluation. An evaluation has not taken place in the current period as this is the first reporting period of the Company.

## Corporate Governance Statement – continued

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### Audit Committee

The Audit Committee operates within clearly defined written terms of reference which are available on request from the company secretary.

The Audit Committee comprises at least two independent Directors. The members of the committee are Laurence Blackall (chairman), Jonathan Djanogly and Peter Dubens. A quorum shall be two members.

During the period ended 31 March 2014 and up to the date of signing the Annual Report and Financial Statements, the Audit Committee discharged its responsibilities by:

- Reviewing the Company's annual and half yearly results, including the proposed fair value of investments as determined by the Investment Adviser, calculation of the management fee and allocation of expenses between revenue and capital;
- Reviewing the Company's accounting policies;
- Ongoing review of the internal controls and assessing the effectiveness of those controls in minimising the impact of key risks;
- Reviewing and approving the Independent Auditor's terms of engagement, including remuneration;
- Reviewing and monitoring the independence and objectivity of the auditors and the effectiveness of the audit process;
- Reviewing and approving the Independent Auditor's audit plan; and
- Recommending to the Board and shareholders the ongoing appointment of Grant Thornton UK LLP.

The key areas of risk identified by the Audit Committee in relation to the business activities and Financial Statements of the Company are:

- Compliance with HM Revenue & Customs rules – in particular s274 of the Income Tax Act 2007 – to maintain the Company's VCT status; and
- Valuation of unquoted investments.

These issues were discussed with the Investment Adviser at the Audit Committee meeting before sign-off of the Financial Statements. The Committee concluded:

Venture Capital Trust status – the Investment Adviser confirmed to the Audit Committee that the conditions for maintaining the Company's status had been complied with throughout the period.

Valuation of unquoted investments – the Investment Adviser confirmed to the Audit Committee that the basis of valuation for unquoted companies was in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data.

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

The Audit Committee has managed the relationship with the auditors and assessed the effectiveness of the audit process. When assessing the effectiveness of the process for the period under review the Committee considered the auditors' technical knowledge and that they have a clear understanding of the business of the Company; that the audit team is appropriately resourced; that the auditors provided a clear explanation of the scope and strategy of the audit and maintained independence and objectivity. As part of the review of auditor effectiveness and independence, Grant Thornton UK LLP has confirmed that it is independent of the Company and has complied with applicable auditing standards. Grant Thornton UK LLP does not provide any non-audit services to the Company and the Audit Committee must approve the appointment of the external auditor for any non-audit services. Grant Thornton UK LLP has held office as auditor for one year; in accordance with ethical standards the engagement partner is rotated after at most five years, and the current partner has served for one year.

## Corporate Governance Statement – continued

### Attendance at Board and committee meetings

During the period ended 31 March 2014 there were:

- 5 full Board meetings; and
- 1 Audit Committee meeting.

The Directors' attendance at these meetings is noted here.

Director	Board	Audit Committee
Jonathan Djanogly	5	1
Laurence Blackall	5	1
Peter Dubens	4	1

### Internal control

The Board has established a process for the identification, evaluation and management of the significant risks faced by the Company. The Board acknowledges that it is responsible for the Company's internal control systems and for reviewing their effectiveness. Internal controls are designed to manage the particular needs of the Company and the risks to which it is exposed. The internal control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information on which business decisions are made and which is used for publication, and that the assets of the Company are safeguarded. They can by their nature provide only reasonable and not absolute assurance against material misstatement or loss. The financial controls operated by the Board include the authorisation of investments and regular reviews of both the financial results and investment performance.

The Board has delegated to third parties the provision of: investment advisory services; VCT status advisory services; broking services; day-to-day accounting, company secretarial and administration services; and share registration services.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered. The Board receives and considers regular reports from the Investment Adviser. Ad hoc reports and information are supplied to the Board as required. The Board keeps under review the terms of the agreement with the Investment Adviser.

### Review of internal control

The process adopted by the Board for identifying, evaluating and managing the risks faced by the Company includes an annual review of the control systems. The review covers a consideration of the significant risks in each of three areas: statutory and regulatory compliance; financial reporting; and investment strategy and performance. Each risk is considered with regard to: the likelihood of occurrence, the probable impact on the Company, and the controls exercised at source, through reporting and at Board level. The Board has identified no problems with the Company's internal controls.

### Relations with shareholders

The Board welcomes the views of shareholders and puts a premium on effective communication with the Company's members. All written communication with shareholders is reviewed by the Board to ensure that shareholder enquiries are promptly and adequately resolved. Shareholders are encouraged to attend the Company's Annual General Meeting where the Directors and representatives of the Company's advisers will be available to answer any questions members may have. The notice of the Annual General Meeting accompanies this report, which is sent to shareholders. A separate resolution is proposed for each substantive issue.

The Board also communicates with shareholders through the half-yearly and annual reports which will include a chairman's statement and an investment adviser's report both of which are reviewed and approved by the Board to ensure that they present a fair assessment of the Company's position and future prospects.



# Statement of Directors' Responsibilities

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The Directors are responsible for preparing the Annual Report, Strategic Report, Directors' Report, Directors' Remuneration Report and the Financial Statements in accordance with applicable laws and regulations. The Directors have chosen to prepare the Financial Statements for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view in accordance with UK GAAP of the state of affairs of the Company as at the end of the financial year and of the return or loss of the Company for that period and that they comply with UK GAAP and the Companies Act 2006.

In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether all applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements respectively; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that the Annual Report and Financial Statements of the Company for the period ended 31 March 2014 as a whole is fair, balanced and understandable and provides the information necessary for the members of the Company to assess the Company's performance, business model and strategy.

## Website publication

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

## Directors' responsibilities pursuant to DTR4

We confirm that to the best of our knowledge:

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

The names of the Directors undersigning this Statement of Responsibilities may be found in the Directors' Report on pages 21 and 22.

On behalf of the Board  
Jonathan Djanogly  
Director  
25 June 2014

# Independent Auditor's Report

to the members of Pembroke VCT plc

We have audited the financial statements of Pembroke VCT plc for the period ended 31 March 2014 which comprise the income statement, the balance sheet, the reconciliation of movements in shareholders' funds, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

## Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Auditor commentary

### An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Company and the third-party service providers, and inspecting records and documents held by the third-party service provider. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks. Our audit approach included the use of the work of auditor's experts to assist with the audit of the valuation of investments, in particular challenging the reasonableness of both the valuation model used and the key assumptions made. We have evaluated the adequacy of the work of these experts in respect of our audit.

### Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information

would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £190,000, which is 1% of the Company's total assets. For the revenue column of the income statement we determined that misstatements for a lesser amount than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for the revenue column of the income statement to be £47,500.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be £9,500. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, account balances or disclosures.

### Valuation of investments

The Company's main objective is investing in a portfolio of small, principally unquoted companies for long term income and capital growth. Investments are the largest asset in the



# Independent Auditor's Report – continued

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financial statements, and they are designated as being at fair value through profit or loss in accordance with FRS 26 "Financial instruments: recognition and measurement". Measurement of the value of unquoted investments includes significant assumptions and judgements and we therefore identified the valuation of unquoted investments as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, obtaining an understanding of how the valuations were performed by the Investment Adviser, Oakley Capital Management Limited; consideration of whether the valuations were made in accordance with published guidance, in particular the International Private Equity and Venture Capital Valuation Guidelines; discussions with the Investment Adviser; reviewing and challenging the reasonableness of both the valuation model used and the assumptions made by the Investment Adviser, including corroboration of financial inputs to investee management accounts and other publically available data; verification that the change in the fair value of the investments has been correctly recognised in the income statement and an assessment of the effectiveness of the audit committee's review and approval of the valuation of the investments.

The Company's accounting policy on the valuation of unquoted investments is included in note 1, and its disclosures about unquoted investments held at the period-end are included in note 8.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

## Other reporting responsibilities

### 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; and
- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following:

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

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

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

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

- the directors' statement, set out on page 22, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Julian Bartlett  
(Senior Statutory Auditor)  
for and on behalf of  
Grant Thornton UK LLP,  
Statutory Auditor,  
Chartered Accountants  
London  
26 June 2014

# Financial Statements





# Income Statement

for the period ended 31 March 2014

	Note	Revenue £	Capital £	Total £
Realised/unrealised gains on investments		–	608,222	608,222
Income	2	158,421	–	158,421
Investment adviser's fees	3	(32,345)	(97,034)	(129,379)
Other expenses	4	(158,665)	(7,500)	(166,165)
Profit on ordinary activities before tax		(32,589)	503,688	471,099
Tax on ordinary activities	5	–	–	–
Profit attributable to equity shareholders		(32,589)	503,688	471,099
Return per share				
Return per ordinary share – basic and diluted	6	(0.24)p	3.73p	3.49p

*The total column of this statement represents the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits. The Company has no gains and losses other than those recognised in the Income Statement above and has not therefore prepared a separate statement of total recognised gains and losses.*

*The accompanying notes on pages 37 to 47 are an integral part of the Financial Statements.*

# Balance Sheet

as at 31 March 2014

	Note	£
<b>Fixed assets</b>		
Investments	7	10,351,741
<b>Current assets</b>		
Debtors	9	1,648,044
Cash at bank and in hand		7,019,865
		8,667,909
Creditors: amounts falling due within one year	10	(779,332)
Net current assets		7,888,577
Net assets		18,240,318
<b>Capital and reserves</b>		
Called up share capital	11	181,412
Share premium account	12	1,599,724
Special reserve	12	15,988,083
Capital reserves	12	503,688
Revenue reserves	12	(32,589)
Total shareholders' funds		18,240,318
Net asset value per share	13	100.55p

*The accompanying notes on pages 37 to 47 are an integral part of the Financial Statements.*

The Financial Statements were authorised for issue by the Directors on 25 June 2014 and signed on their behalf by:

Jonathan Djanogly  
Director

# Cash Flow Statement

for the period ended 31 March 2014

	Note	£
<b>Operating activities</b>		
Investment income received – qualifying		30,000
Deposit and similar interest received – non qualifying		3,297
Investment adviser's fees paid		(58,387)
Company secretarial fees paid		(26,401)
Cash paid to and on behalf of Directors		(19,502)
Other cash payments		(46,494)
Net cash outflow from operating activities	14	(117,487)
<b>Financial investment</b>		
Purchase of investments		(7,062,008)
Loans made		(2,011,200)
Net cash outflow from financial investment		(9,073,208)
Net cash outflow before financing		(9,190,695)
<b>Financing</b>		
New share issue – ordinary shares		16,494,400
New share issue – preference shares		50,000
Redemption of preference shares		(50,000)
Share issue expenses		(283,840)
Net cash inflow from financing		16,210,560
Increase in cash	15	7,019,865

The accompanying notes on pages 37 to 47 are an integral part of the Financial Statements.

## Reconciliation of Movements in Shareholders' Funds

for the period ended 31 March 2014

	£
Capital per share issue	18,141,202
Expenses of offer	(362,824)
Expenses of special reserve creation	(9,159)
Profit for the period	471,099
Total shareholders' funds at 31 March 2014	18,240,318

*The accompanying notes on pages 37 to 47 are an integral part of the Financial Statements.*

# Notes to the Financial Statements

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## 1. Accounting policies

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

### a) Going concern

The Board of Directors is satisfied that the Company has adequate availability of funding in order to continue as a going concern. Therefore the Company continues to adopt the going concern basis in preparing these Financial Statements.

### b) Basis of accounting

The Financial Statements have been prepared in accordance with applicable United Kingdom Accounting Standards, the Companies Act 2006 and under the historical cost convention, except for the measurement at fair value of fixed asset investments in accordance with the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("SORP"), revised in January 2009. The Financial Statements have also been prepared on the assumption that approval as a Venture Capital Trust continues to be granted by HM Revenue & Customs.

### c) Investments

The Company did not hold any listed investments at any time during the period under review. In accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), investments in unlisted companies, other than those traded on AIM/ISDX, are held at fair value through profit and loss by the Directors. Information about the portfolio is provided internally to the Directors on that basis and the Directors consider the basis to be consistent with the Company's investment strategy, with reference to the International Private Equity and Venture Capital Valuation Guidelines ("IPEVCV guidelines"). Accordingly, upon initial recognition, unquoted investments are designated by the Company as at fair value through profit and loss. The IPEVCV guidelines include the following:

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

- (i) Where a value is indicated by a material arms-length transaction by an independent third party in the shares of a company, this value will be used.
- (ii) In the absence of (i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to either:
  - a) an earnings multiple basis. The shares may be valued by applying a suitable price-earnings ratio to that company's historical, current or forecast post-tax earnings before interest and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified by the Investment Adviser compared with the sector including, *inter alia*, a lack of marketability); or
  - b) an assessment of other relevant, objective evidence.
- (iii) Where an earnings multiple or other objective evidence is not appropriate and overriding factors apply, discounted cash flow or net asset valuation bases may be applied.

Realised surpluses or deficits on the disposal of investments are taken to realised capital reserves, and unrealised surpluses and deficits on the revaluation of investments are taken to unrealised capital reserves.

Those venture capital investments that may be categorised as associated undertakings are carried at fair value as determined by the Directors in accordance with the Company's normal policy and are not equity accounted as required by the Companies Act 2006. The Directors consider that, as these investments are held as part of the Company's portfolio with a view to ultimate realisation of capital gains, equity accounting would not give a true and fair view of the Company's interests in these investments. Quantification of the effect of this departure is not practicable. Carrying investments at fair value is specifically permitted under Financial Reporting Standard 9 "Associates and Joint Ventures" where venture capital entities hold investments as part of a portfolio.

## Notes to the Financial Statements – continued

### d) Income

Dividends receivable on listed equity shares are brought into account on the ex-dividend date. Dividends receivable on unlisted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Special dividends receivable are treated as a revenue receipt or a capital receipt depending on the facts and circumstances of each particular case. Fixed returns on non-equity shares and debt securities are recognised on an accruals basis using the effective interest method. Such amounts are recognised in the revenue column provided that there is no reasonable doubt that payment will be received in due course, otherwise it is recognised in the capital column.

### e) Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been accounted for as revenue items except as follows:

Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated, and accordingly the investment management fee is currently allocated 25% to revenue and 75% to capital, which reflects the Directors' expected long-term view of the nature of the investment returns of the Company.

### f) Deferred tax

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, or right to pay less, tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the Financial Statements which are capable of reversal in one or more subsequent periods. 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 for deferred tax on any capital gains and losses arising in the revaluation or disposal of investments. Deferred tax is calculated using the expected rate ruling at the estimated time of reversal.

### g) Financial instruments

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

### h) Events after the balance sheet date

Dividends declared and approved by the Company after the balance sheet date have not been recognised as a liability of the Company at the balance sheet date.

## 2. Income

	£
Interest receivable	
- from bank deposits	4,161
- from loan stock	150,280
- arrangement fees received	3,980
	158,421

## Notes to the Financial Statements – continued

### 3. Investment Adviser's fees

	£
Oakley Capital Management Limited	129,379

Oakley Capital Management Limited has been appointed as the Company's Investment Adviser. This appointment shall continue until terminated by the expiry of not less than twelve months' notice in writing given by either party to the other at any time after the tenth anniversary of the first date on which the Board or committee of the Board resolves to allot shares under the offer for subscription by way of the prospectus dated February 2013. This appointment may also be terminated in circumstances of material breach by either party.

The Investment Adviser receives an advisory fee. The fee is payable quarterly in advance, such quarterly fee (exclusive of VAT) being equal to 0.5% of the NAV less the quarterly running costs, excluding the advisory fee, for that quarter.

The Investment Adviser is entitled to a performance related incentive fee equal to 20% of the amount by which any shareholder distribution (or deemed distribution) exceeds 100p per share, provided that relevant shareholders have received on a per share basis a return of 8% per annum on the amount subscribed per share as from the date of the last allotment under the first offer up until the date of the proposed payment of the relevant performance fee. Where, at the time the obligation to make the payment of a performance incentive fee arises there have been previous events which have resulted in shareholders receiving (or being deemed to receive) a shareholder distribution, the relevant return will be calculated from the day after that previous event occurred on the amount subscribed per share by shareholders but reduced by the aggregate amount of shareholder distribution received (or deemed to be received) on a per share basis.

### 4. Other expenses

Other expenses include:

	£
Company secretarial fees	36,711
Auditors' fees – audit services	25,300
Printing and stationery	8,940
Other costs	31,256
Irrecoverable VAT	19,278

In the period, investment acquisition costs of £7,500 were incurred.

The Company has no employees other than the Directors.

Information relating to Directors' remuneration can be found in the audited section of the Directors' Remuneration Report on page 23.

## Notes to the Financial Statements – continued

### 5. Tax on ordinary activities

#### a) Analysis of tax charge

	£
Revenue charge	–
Credited to capital return	–
Current and total tax charge (note (b))	–

#### b) Factors affecting tax charge for the period

	£
Total return on ordinary activities before tax	471,099
Effect of:	
Corporation tax at 20%	94,220
Non-taxable gains on investments	(121,645)
Movement in excess management expenses	27,425
Tax charge for period (note (a))	–

No asset or liability has been recognised for deferred tax in relation to capital gains or losses on revaluing investments as the Company is exempt from corporation tax in relation to capital gains or losses as a result of qualifying as a Venture Capital Trust.

There is no potential liability to deferred tax. No deferred tax asset has been recognised on surplus expenses carried forward as it is not envisaged that any such tax will be recovered in the foreseeable future. The value of the unrecognised deferred tax is £27,425.

### 6. Return per share

	Revenue	Capital	Total
Return per ordinary share	(0.24)p	3.73p	3.49p

Basic revenue return per share is based on the net revenue loss from ordinary activities after taxation of £(32,589) and on 13,500,678 ordinary shares, being the weighted average number of shares in issue during the period. Basic capital return per share is based on the net capital gain after taxation of £503,688 and on 13,500,678 ordinary shares, being the weighted average number of shares in issue during the period.



## Notes to the Financial Statements – continued

### 7. Investments

Movements in investments during the period are summarised as follows:

	Shares £	Loan stock £	Total £
Movements in the period:			
Purchases at cost	7,582,039	2,011,200	9,593,239
Unrealised gains in the period	608,222	–	608,222
Interest rolled up in fixed income investments	–	150,280	150,280
Valuation at 31 March 2014	8,190,261	2,161,480	10,351,741
Closing valuation:			
Cost at 31 March 2014	7,582,039	2,011,200	9,593,239
Unrealised appreciation at 31 March 2014	608,222	–	608,222
Interest rolled up in fixed income investments	–	150,280	150,280
Valuation at 31 March 2014	8,190,261	2,161,480	10,351,741

During the period, the Company incurred acquisition costs of £7,500 and disposal costs of £nil.

As at 31 March 2014, the Company had no arrangements in place to dispose of any of its holdings.

The Company is required to report the category of fair value measurements used in determining the value of its investments, to be disclosed by the source of inputs, using a three-level hierarchy:

#### Quoted market prices in active markets – “Level 1”

Inputs to Level 1 fair values are quoted prices in active markets for identical assets. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company has no investments classified in this category.

#### Valued using models with significant observable market parameters – “Level 2”

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The Company has no investments classified in this category.

#### Valued using models with significant unobservable market parameters – “Level 3”

Inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models).

As such, unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset. The Company's unquoted equities and loan stock are classified within this category. As explained in Note 1, unquoted investments are valued in accordance with the International Private Equity and Venture Capital Association guidelines. The fair value of all investments is assessed by the Company and, where appropriate, a revaluation against cost is made. The basis of revaluation may be based on a sales or profit multiple, or on market information that supersedes that held at the time of acquiring the investment.

## Notes to the Financial Statements – continued

### 8. Significant interests

As at the balance sheet date and from the dates of making the investments the Company has held 3% or more of the ordinary shares of:

Investment	% equity holding
KX Gym UK Limited	11.8%
Plenish Cleanse Ltd	28.7%
Boom Spin Ltd	27.2%
Dilly & Wolf Limited	21.3%
La Bottega Limited	40.0%
Chucs Bar and Grill Limited	31.5%
Second Home Limited	4.4%
Troubadour Goods Limited	44.3%
Kat Maconie Limited	32.0%
Chucs Limited	31.5%
Bella Freud Limited	27.9%
Boat International Media Limited	21.0%
Zenos Cars Limited	15.9%

Details of holdings may be found in the Investment Portfolio summary and Investment Review on pages 9 to 17.

### 9. Debtors

	£
Amounts falling due within one year:	
Share issue proceeds due from receiving agent	1,646,800
Accrued interest and other accrued income	864
Prepayments	380
	1,648,044

## Notes to the Financial Statements – continued

### 10. Creditors: amounts falling due within one year

	£
Trade creditors	20,379
Sundry creditors and accruals	212,902
Deferred income	26,020
Fixed asset investment deferred payment	520,031
	779,332

### 11. Called up share capital

	£
Allotted, called-up and fully paid: 18,141,202 Ordinary Shares of 1p each	181,412

During the period, the Company issued 18,141,202 ordinary shares as detailed below:

Allotted, called up and fully paid:

	Nominal value £	Consideration received £
7,916,000 ordinary shares issued on 5 April 2013	79,160	7,916,000
1,155,000 ordinary shares issued on 8 April 2013	11,550	1,155,000
1,840,000 ordinary shares issued on 20 May 2013	18,400	1,840,000
1,161,000 ordinary shares issued on 21 June 2013	11,610	1,161,000
2,000,000 ordinary shares issued on 31 July 2013	20,000	2,000,000
395,000 ordinary shares issued on 25 October 2013	3,950	395,000
310,000 ordinary shares issued on 25 November 2013	3,100	310,000
505,000 ordinary shares issued on 20 January 2014	5,050	505,000
1,210,000 ordinary shares issued on 7 February 2014	12,100	1,210,000
1,649,200 ordinary shares issued on 31 March 2014	16,492	1,649,200

## Notes to the Financial Statements – continued

### 12. Reserves

	Share premium £	Special reserve £	Capital reserve (realised) £	Capital reserve (unrealised) £	Revenue reserve £	Total £
Share issue	17,959,790	–	–	–	–	17,959,790
Share issue expenses	(362,824)	–	–	–	–	(362,824)
Transfer to special reserve	(15,997,242)	15,997,242	–	–	–	–
Cost of special reserve creation	–	(9,159)	–	–	–	(9,159)
Profit for the period	–	–	(104,534)	608,222	(32,589)	471,099
At 31 March 2014	1,599,724	15,988,083	(104,534)	608,222	(32,589)	18,058,906

None of the reserves were distributable as at the balance sheet date. A Court order was granted on 26 March 2014 to convert £15,997,242 of the share premium account into a special reserve. The Court imposed certain conditions for the special reserve to be treated as distributable. Those conditions were not satisfied as at the balance sheet date but were satisfied shortly thereafter. Accordingly, at the date of signing these Financial Statements, the special reserve is distributable.

### 13. Net asset value per share

The net asset value per ordinary share at the period-end was as follows:

	Net asset values attributable	
	Net assets	Net assets per share
Ordinary shares (basic)	£18,240,318	100.55p

Net asset value per share is based on net assets at the period-end and on 18,141,202 ordinary shares, being the number of shares in issue at the period-end.

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

	£
Profit before taxation for the period	471,099
Unrealised gains on investments	(608,222)
(Increase) in debtors (excluding share issue proceeds)	(1,244)
(Increase) in interest rolled up in fixed income investments	(150,280)
Increase in creditors and accruals (excluding share issue expenses and fixed asset investment balances)	171,160
Net cash outflow from operating activities	(117,487)

## Notes to the Financial Statements – continued

### 15. Analysis of changes in net funds

	£
Cash flows	7,019,865
As at 31 March 2014	7,019,865

### 16. Financial instruments

The Company's financial instruments comprise:

- (i) Equity and fixed-interest investments that are held in accordance with the Company's investment objectives as set out in the Directors' Report; and
- (ii) Cash, liquid resources, short-term debtors and creditors that arise directly from the Company's operations.

Investments are made in a combination of equity and loans. Surplus funds are held on bank deposit. It is not the Company's policy to trade in financial instruments or derivatives.

Details of the bases on which financial instruments, including investments, are held may be found at notes 1 and 7.

The Company held the following categories of financial instruments, all of which are included in the balance sheet at fair value, at 31 March 2014:

	Cost £	Fair value £
<b>Assets at fair value through profit and loss:</b>		
Investment portfolio	9,743,519	10,351,741
Cash at bank	7,019,865	7,019,865
<b>Loans and receivables:</b>		
Accrued income	864	864
Other debtors	1,646,800	1,646,800
Creditors	(779,332)	(779,332)
	17,631,716	18,239,938

Loans to investee companies are treated as fair value through profit and loss and are included in the investment portfolio. Unquoted investments account for 100% of the investment portfolio by value. The investment portfolio has a 100% concentration of risk towards small UK based, sterling denominated companies and represents 56.8% of net assets at the period end.

All financial liabilities are due within one year and are expected to be settled within six months of the period and in accordance with normal credit terms.

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

## Notes to the Financial Statements – continued

### Credit risk

The Company has exposure to credit risk in respect of its loan stock investments. This risk is managed through the due diligence process adopted when making loan investments to unquoted companies and through regular monitoring of the investee companies by the Investment Adviser. The selection of credit institution at which to hold cash balances is made by the Investment Adviser and monitored by the Board. The credit risk is managed by ensuring cash is held with an institution or institutions with a Standard & Poors long-term credit rating of BBB or better. The maximum exposure to credit risk at the balance sheet date was £10,829,009.

### Investment valuation risk

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

The equity and fixed interest stocks of the Company's unquoted investee companies are very seldom traded and, as such, their prices are more uncertain than those of more frequently traded stocks. It is estimated that a 15% fall in the carrying value of the Company's unquoted investments would reduce profit before tax for the period and the Company's net asset value per share by £1,552,761 and 8.6p respectively.

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

### Interest rate risk

The Company's financial assets include loan stock and bank deposits which are interest bearing, at a mix of fixed and variable rates. As a result, the Company is exposed to interest rate risk due to fluctuations in prevailing levels of market interest rates. The Board seeks to mitigate this risk through regular monitoring of the Company's interest bearing investments. The Company does not use derivative instruments to hedge against interest rate risk.

As at 31 March 2014, the Company's financial assets by value, excluding short-term debtors and creditors which are not exposed to interest rate risk, comprised:

Financial assets	£	%	interest rate	Weighted average interest rate %	Fixed term years
Venture capital investments					
Ordinary shares	8,190,261	43.0	N/a	N/a	N/a
Loan stock (fixed rate)	1,099,452	5.8	Fixed	15.0	5
Loan stock (fixed rate)	508,689	2.7	Fixed	12.0	5
Loan stock (fixed rate)	410,520	2.2	Fixed	12.0	5
Loan stock (fixed rate)	142,819	0.7	Fixed	7.5	N/a
Debtor – share issue proceeds	1,646,800	8.7	N/a	N/a	N/a
Bank deposits	7,019,865	36.9	Floating	0.15	N/a
	19,018,406	100.0			

It is estimated that, if the floating interest rate fell to 0%, pre-tax profit for the period would fall by 2.2% on an annualised basis.

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

## Notes to the Financial Statements – continued

### Liquidity risk

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

### 17. Management of capital

The Board of Directors considers the Company's net assets to be its capital and the Company does not have any externally imposed capital requirements.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, satisfy the relevant HMRC requirements and provide at least adequate returns for shareholders.

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

### 18. Post balance sheet events

Since 31 March 2014 the Company has made investments of £1,990,170, of which £1,160,170 forms part of a wider commitment of £2,340,680 at the balance sheet date.

### 19. Geographical analysis

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

### 20. Transactions with the Investment Adviser

The Company retains Oakley Capital Management Limited ("OCML") as its Investment Adviser.

Peter Dubens, a non-executive Director of the Company, is a director and sole shareholder of OCML. During the period ended 31 March 2014, £129,391 was payable to OCML for investment adviser services of which £71,004 was owed to OCML at the period end. During the period OCML paid expenses on behalf of the Company amounting to £276,965, of which £11,220 was outstanding at the period end.

On 27 November 2012, 50,000 redeemable preference shares in the Company were allotted and issued to OCML at a cost of £50,000. On 13 July 2013, the redeemable preference shares were fully redeemed and subsequently cancelled.

Palmer Capital LLP, of which Peter Dubens is a member, acted as promoter for the offer during the period. The fees in the period amounted to £362,824 out of which Palmer Capital LLP paid the costs of the offer. At the period end the Company owed Palmer Capital LLP £78,984.

The number of ordinary shares (all of which are held beneficially) by employees of OCML are:

		31 March 2014 shares held
Peter Dubens	Director	400,000
Kathy Jackson	Investment Adviser	60,000
Stewart Porter	Investment Adviser	75,000



# Notice of Annual General Meeting

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Notice is hereby given that the first Annual General Meeting of Pembroke VCT plc will be held at 11.00 am on 28 August 2014 at Oakley Capital Management's offices at 3 Cadogan Gate, London, SW1X 0AS for the purpose of considering and, if thought fit, passing the following resolutions (of which, resolutions 1 to 9 will be proposed as Ordinary Resolutions and resolutions 10 and 11 will be proposed as Special Resolutions):

## Ordinary Business

1. To receive the Directors' and the Independent Auditor's Reports and the Company's Financial Statements for the period ended 31 March 2014.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the period ended 31 March 2014.
4. To appoint Grant Thornton as auditor of the Company to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company.
5. To authorise the Directors to fix the remuneration of the auditor.
6. To elect Jonathan Djanogly as a Director of the Company.
7. To elect Laurence Blackall as a Director of the Company.
8. To elect Peter Dubens as a Director of the Company.
9. Directors' authority to allot securities:
  - (i) that the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £48,141 during the period commencing on the passing of this resolution and expiring on the earlier of the date of the annual general meeting of the Company to be held in 2015 and the date which is 15 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting) 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 relevant securities to be allotted after such expiry; and
  - (ii) that all previous authorities given to the Directors in accordance with section 551 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

## Notice of Annual General Meeting – continued

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### Special Resolutions

10. That the Directors be and are hereby empowered pursuant to Section 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 given pursuant to resolution 11 set out in this notice of Annual General Meeting as if section 561(1) of the Act did not apply to such allotment provided that this power shall expire on the date falling 15 months after the date of the passing of this resolution and provided further that this power shall be limited to the allotment and issue of equity securities in connection with:
- (i) the allotment of equity securities with an aggregate nominal value of up to but not exceeding 10% of the issued ordinary share capital where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary Shares, and
  - (ii) the allotment of equity securities from time to time with an aggregate nominal value of up to but not exceeding 5% of the issued Ordinary Share capital of the Company.
11. That the Company be and is hereby generally and unconditionally authorised to make one or more market purchases within the meaning of Section 701 of the Act of ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") provided that:
- (i) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is an amount equal to 14.99% of the issued ordinary share capital of the Company from time to time;
  - (ii) the minimum price which may be paid for an Ordinary Share is 1p per share, the nominal amount thereof;
  - (iii) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market prices shown in the quotations for an ordinary share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased;
  - (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the annual general meeting of the Company to be held in 2015 and the date which is 15 months after the date on which this resolution is passed; and
  - (v) the Company may make a contract or contracts to purchase its own Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of its own Ordinary Shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

By Order of the Board

The City Partnership (UK) Limited  
Secretary  
25 July 2014

# Notice of Annual General Meeting – continued

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## Notes

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 11.00 am on 26 August 2014 (48 hours, excluding non-working days, before the time appointed for the meeting) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered in the register of members in order to have the right to attend and vote at the adjourned meeting is 48 hours before the time of any adjourned meeting.
2. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend and vote at the meeting and you should have received a Form of Proxy with this notice of meeting. You can appoint a proxy only by using the procedures set out in these notes and the notes to the Form of Proxy. A proxy does not need to be a member of the Company but must attend the meeting to represent you.
3. To appoint a proxy you may use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy must be deposited by 11.00 am on 26 August 2014, or if this meeting is adjourned, by no later than 48 hours, excluding non-working days, prior to the time and date set for the adjourned meeting, using one of the following methods:
  - By sending a signed completed hard copy of the Form of Proxy to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL; or
  - By sending a legible scan of the completed hard copy of the Form of Proxy to [proxies@shareregistrars.uk.com](mailto:proxies@shareregistrars.uk.com).
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you should photocopy the Form of Proxy. Please indicate in the box next to the proxy holder's name the number of securities in relation to which they are authorised to act as your proxy. The notes to the Form of Proxy explain how to direct your proxy to vote on each resolution or withhold their vote.
5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
6. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:
  - By sending hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice; or
  - By sending an email, clearly stating your intention to revoke your proxy appointment, to [proxies@shareregistrars.uk.com](mailto:proxies@shareregistrars.uk.com).
7. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.
8. The issued share capital of the Company at the date of this notice is 18,141,202 ordinary shares, therefore the total number of voting rights in the Company as at the date of this notice is 18,141,202.
9. The following documents are available for inspection at the registered office of the Company:
  - The Directors' letters of appointment; and
  - Register of the Directors' interests in the share capital of the Company.
10. You may not use any electronic address provided either in this notice of meeting or any related documents, to communicate with the Company for any purposes other than those expressly stated.

# Corporate Information

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## Directors (all non-executive)

### Independent

Jonathan Simon Djanogly (Chairman)  
Laurence Charles Neil Blackall

### Not independent

Peter Adam Daiches Dubens

## All of the registered office & principal place of business

3 Cadogan Gate  
London SW1X 0AS  
[www.pembrokevct.com](http://www.pembrokevct.com)

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## Investment Adviser

Oakley Capital Management Limited  
3 Cadogan Gate  
London  
SW1X 0AS

## Secretary

The City Partnership (UK) Limited  
Thistle House  
21 Thistle Street  
Edinburgh  
EH2 1DF  
Telephone: 0131 243 7210

## Independent Auditor

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

## Registrar

The City Partnership (UK) Limited  
c/o Share Registrars Limited  
Suite E, First Floor  
9 Lion and Lamb Yard  
Farnham  
Surrey  
GU9 7LL

## Bankers

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

## VCT Status Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

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## Reporting Calendar

for year ending 31 March 2015

Results announced:

Interim – October 2014

Annual – July 2015

For your notes

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pembroke  
VCT plc

3 Cadogan Gate, London SW1X 0AS

Incorporated in England and Wales  
with registered number 08307631