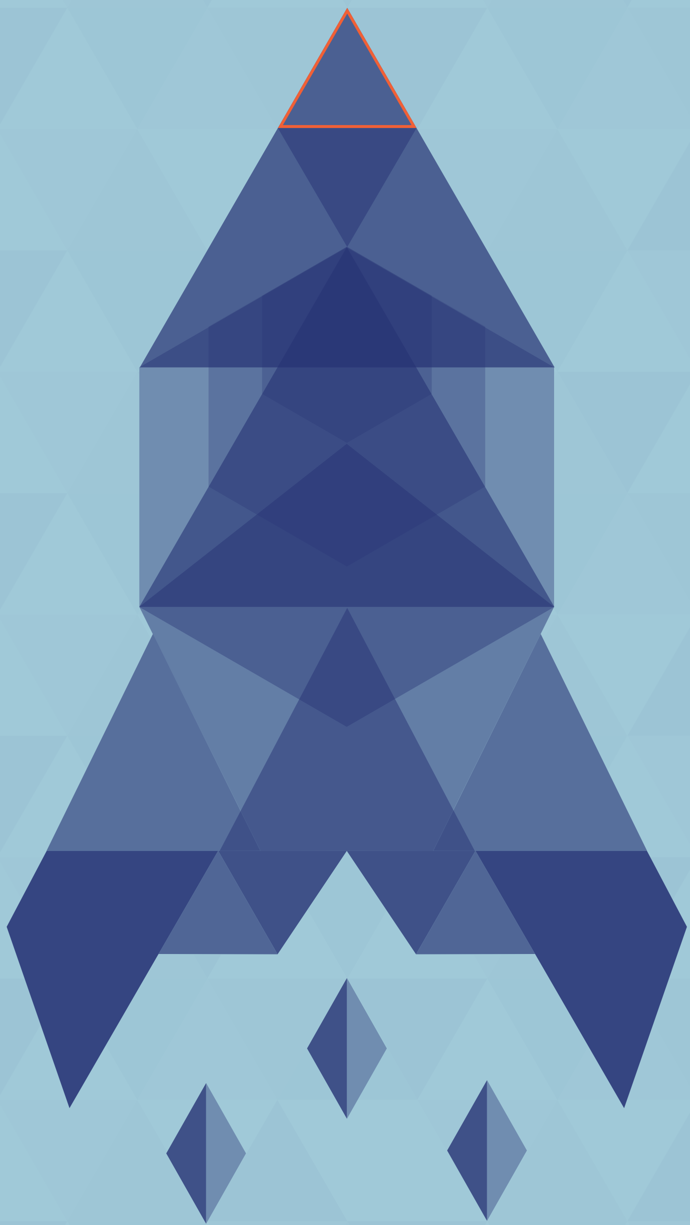
Venture Capital Reinvented.

Draper Esprit VCT plc
Report & Accounts for the year ended 31 March 2019



Draper Esprit

SHAREHOLDER INFORMATION

Share price

The Company's share price can be found on various financial websites with the TIDM/EPIC code "**DEVC**". A link to the share price is also available on Elderstreet Investments Limited's website (www.elderstreet.com) and on Downing LLP's website (www.downing.co.uk).

Latest share price (23 July 2019):	55.0p per share

Financial calendar

24 September 2019	Annual General Meeting
25 October 2019	Payment of final dividend
December 2019	Announcement of Half-Yearly results

Dividends

Dividends are paid by the registrar on behalf of the Company. Shareholders who wish to have dividends paid directly into their bank account rather than by cheque to their registered address, can complete a mandate form for this purpose (form can be downloaded from www.linkassetservices.com). Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the Company's registrar, Link Asset Services, on 0871 664 0324 (calls cost 12p per minute plus network extras, lines open 9:00 a.m. to 5:30 p.m.), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Selling shares

The Company's shares are listed on the London Stock Exchange and can be bought or sold like any other listed shares using a stockbroker.

The Company generally buys back shares several times each year. Details of the next planned share buyback can be obtained by contacting Downing LLP on 020 7416 7780. Any Shareholder considering selling some or all of their shareholding should ensure that they are fully aware of any tax consequences, especially if they purchased shares within the last five years or took part in the Enhanced Share Buyback offer. If you are in any doubt, please contact your financial adviser.

Share scam warning

We are aware that a significant number of Shareholders of VCTs have recently received unsolicited telephone calls from a company purporting to be acting on behalf of a client who is looking to acquire their VCT shares at an attractive price. We believe these calls to be part of a "Boiler Room Scam". **Shareholders are warned to be very suspicious if they receive any similar type of telephone call.**

Further information can be found on Downing's website. If you have any concerns, please contact Downing on 020 7416 7780.

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's registrar, Link Asset Services, under the signature of the registered holder.

Other information for Shareholders

Up-to-date Company information (including financial statements, share price and dividend history) may be obtained from Downing LLP's website at www.downing.co.uk. Financial information is also available on Elderstreet Investments Limited's website at www.elderstreet.com.

If you have any queries regarding your shareholding in Draper Esprit VCT plc, please contact the Registrar on the above number or visit Link's website at www.linkassetservices.com and click on "Share Portal".

CONTENTS

COMPANY INFORMATION

Directors
David Brock (Chairman)
Hugh Aldous (Senior Independent Director)
Barry Dean
Michael Jackson
Nicholas Lewis
all of
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

Company number
03424984

Company Secretary and Registered Office
Grant Whitehouse
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD
Tel: 020 7416 7780

Investment Manager
Elderstreet Investments Limited
20 Garrick Street
London
WC2E 9BT
Tel: 020 7831 5088
www.elderstreet.com

Administration Manager
Downing LLP
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD
Tel: 020 7416 7780
www.downing.co.uk

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

VCT Status Advisers
Philip Hare & Associates LLP
Suite C – First Floor
4-6 Staple Inn
London WC1V 7QH

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0324
(calls cost 12p per minute plus network extras
lines open Mon-Fri from 9:00 a.m. to 5:30 p.m.)
www.linkassetservices.com

Bankers
Royal Bank of Scotland plc
119/121 Victoria Street
London SW1E 6RA

Bank of Scotland plc
33 Old Broad Street
London BX2 1LB

FINANCIAL SUMMARY

	31 Mar 2019 pence	31 Mar 2018 pence
Net asset value per share ("NAV")	56.7	57.5
Cumulative dividends paid since launch	102.0	99.0
Total Return (NAV plus cumulative dividends paid per share)	158.7	156.5
Dividends in respect of financial year ended 31 March 2019		
Interim dividend paid per share	1.5	1.5
Final dividend per share (payable on 25 October 2019)	1.5	1.5
	3.0	3.0

A full dividend history for the Company can be found at www.downing.co.uk.

Performance summary for investors (per £1.00 invested)

Share issue date	Initial income tax relief available on investment %	Equivalent dividends received since issue pence	Equivalent NAV at 31 Mar 2019 pence	Gain/(loss) (ignoring income tax relief) %	Gain (after initial income tax relief) %	Gain (after initial and ESB* income tax relief) %
Elderstreet Millennium VCT plc (1996)	20	88.4	21.6	10.0	37.5	45.2
Feb-Aug 1998	20	102.0	56.7	58.7	98.4	118.7
Mar-Jun 2005 (C Share issue)	40	69.5	37.9	7.4	79.0	97.1
Apr 2006	40	105.2	82.3	87.6	212.6	251.9
Apr 2008	30	71.2	61.6	32.8	89.8	N/A
Jun 2008	30	67.8	62.0	29.9	85.5	N/A
Apr 2009	30	79.0	75.9	54.9	121.3	N/A
May 2009	30	77.6	75.9	53.6	119.4	N/A
Apr-May 2010	30	69.7	70.5	40.2	100.3	N/A
Mar 2011	30	64.1	69.9	34.0	91.5	N/A
Apr-May 2011	30	66.7	72.7	39.4	99.1	N/A
Apr-May 2012	30	67.9	80.2	48.1	111.6	N/A
Nov 2012	30	71.4	91.9	63.4	133.4	N/A
Apr 2013	30	65.2	84.0	49.2	113.1	N/A
Dec 2014	30	30.8	83.2	14.0	62.9	N/A
Mar-Apr 2015	30	29.2	78.7	8.0	54.2	N/A
Apr 2016	30	15.5	79.9	(4.6)	36.3	N/A
Apr 2017	30	9.5	89.5	(0.9)	41.5	N/A
May 2017	30	9.5	89.3	(1.2)	41.1	N/A
Aug 2017	30	7.3	91.6	(1.1)	41.3	N/A
Oct 2017	30	5.0	93.8	(1.1)	41.2	N/A
Nov 2017	30	5.0	93.6	(1.3)	40.9	N/A
Apr 2018	30	5.0	93.9	(1.1)	41.2	N/A
May 2018	30	4.9	92.8	(2.2)	39.7	N/A
April 2019	30	-	99.3	(0.7)	41.9	N/A
May 2019	30	-	99.3	(0.7)	41.9	N/A

*In November 2012, the Company offered an Enhanced Share Buyback ("ESB") which allowed Shareholders who had already held their shares for more than five years to sell their shares and reinvest the proceeds, receiving additional income tax relief at the rate of 30% on the new issue. Offers from April 2008 onwards were not eligible for the ESB in November 2012.

In the table above, initial income tax relief has been deducted from cost for the purpose of calculating gains after income tax relief. In respect of ESB the initial income tax relief has been treated as additional income.

Original 'C' Shareholders
Shareholders investing under the 'C' Share Offer were issued 0.6691 Ordinary Shares for every one 'C' Share held. Dividends of 30.0p per 'C' Share were paid prior to the merger, equivalent to 44.8p per Ordinary Share.

Elderstreet Millennium Shareholders
In 2007, Elderstreet Millennium Venture Capital Trust plc ("EMVCT") merged with the Company. Shareholders in EMVCT were issued 0.381 Ordinary Shares in Draper Esprit VCT plc for every one share held. Dividends of 61.5p per EMVCT share were paid prior to the merger, equivalent to 161.5p per Ordinary Share in Draper Esprit VCT plc.

INVESTMENT OBJECTIVES

The Company's principal investment objectives are to:

- Provide good long-term tax-free returns to Shareholders through a combination of dividends and capital growth;
- invest in a diversified portfolio of smaller unquoted companies with a particular focus on the technology sector;
- target annual dividends of 3.0p per Share (subject to liquidity and regulatory factors); and
- maintain its VCT status.

The detailed Investment Policy adopted to achieve the investment objectives is set out in the Strategic Report on page 18.

DIRECTORS

David Brock (Chairman) is an experienced company Chairman in both private and public companies and a former main board director of MFI Furniture Group plc. He is currently Chairman of Episys Group plc and Primrose Group plc and a non-executive director of Hargreave Hale AIM VCT plc and Puma VCT 12 plc.

Hugh Aldous is chairman of Downing Strategic Micro-Cap Investment Trust plc and of SPL Guernsey ICC Ltd. He is a director of Innospec Inc (NASDAQ) and was a director of Polar Capital Holdings plc from 2007 to 2018. He has chaired venture capital backed companies since 2000 including two of this company's more successful investments. He was a partner in Grant Thornton UK LLP, a DTI Company Inspector and a Member of the Competition Commission.

Barry Dean is a chartered accountant and has over 30 years' experience in the private equity industry including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a non-executive director of Downing ONE VCT plc and ProVen VCT plc.

Michael Jackson founded Elderstreet Investments Limited in 1990 and is its executive chairman. Michael studied law at Cambridge University and qualified as a chartered accountant with Coopers & Lybrand, before spending five years in marketing for various US multinational technology companies. For the past 23 years, he has specialised in raising finance and investing in the smaller companies in the quoted and unquoted sector. From 1983 until 2006 he was a director of FTSE 100 company The Sage Group plc, becoming chairman in 1997. He was also chairman of PartyGaming plc, another FTSE 100 company, and is chairman of Netcall plc. He is also on the board of a number of Elderstreet portfolio companies, including Access Intelligence plc and Fords Packaging Topco Limited.

Nicholas Lewis is a partner of Downing LLP, a business he founded as Downing Corporate Finance Limited in 1986. Downing LLP specialises in managing, promoting and administrating tax-based investments and has raised approximately £1 billion since 1991. Prior to founding Downing he was with NatWest Ventures Limited and was with Apax Partners & Co Limited before that.

All the Directors are non-executive and, with the exception of Michael Jackson, are independent of the Investment Manager.

CHAIRMAN'S STATEMENT

I am pleased to present the Company's Annual Report for the year ended 31 March 2019.

A number of new investments were made during the year, as the arrangements with Draper Esprit plc have continued to provide new investment opportunities to the Company.

Partnership with Draper Esprit plc

Draper Esprit plc ("Draper Esprit"), a highly-regarded technology investment manager, has purchased 30% of Elderstreet Investments Limited ("Elderstreet") with a view to acquiring the remaining 70% in the future. In order to reflect this and the close working relationship between Draper Esprit and Elderstreet, the name of the Company was changed on 10 January 2019.

The Board considers this to be a very positive step for the VCT, as it is now better aligned with Draper Esprit funds with which it is co-investing.

As at 31 March 2019, the co-investment arrangements with Draper Esprit had already contributed £12.4 million of VCT Qualifying technology investments to the portfolio. In addition, since the year end investments totalling £2.4 million have been made into four technology businesses, three of which are existing VCT portfolio companies. Also, at the date of this report a further £1.6 million has been committed to two new technology businesses.

Shareholders should anticipate that the trend of significant investment activity in new technology businesses will continue, and that the Company's portfolio will become increasingly focused on technology businesses, a good proportion of which will have knowledge-intensive status. The technology businesses in which the Company will continue to invest will typically sit within the following subsectors:

- Consumer Technology: companies with exceptional growth opportunities in international markets that are underpinned by new consumer facing products, innovative business models and proven execution capabilities;
- Enterprise Technology: companies developing the software infrastructure, applications and services that drive productivity improvements, convenience and cost reduction for enterprises;
- Hardware and Deep Technology: companies developing different technologies that underpin advances in computing, consumer electronics and other industries; and
- Healthcare and Wellness: companies leveraging digital and other technologies to create new products and services for the health and wellness market.

In addition to a typical focus on four key technology subsectors, the businesses in which the VCT will continue to invest will typically have the following characteristics:

- A strong, balanced and well-motivated management team;
- Investments where the Manager can typically be an active investor and have a board or observer position;
- products or services which have the potential to sustain a competitive advantage; and
- reasonable prospects of achieving a trade sale or stock market flotation.

The detailed Investment Policy of the Company is set out in the Strategic Report, on page 18.

Fundraising plans

As I have outlined, the close relationship with Draper Esprit has transformed the Company into being a very active investor in young technology businesses. The pipeline of deals from Draper Esprit continues to produce attractive new investment opportunities. The Board also remains mindful that existing portfolio companies will need to be properly supported to maturity.

For these reasons, the Board is planning to launch a new Offer for Subscription, seeking to raise approximately £20 million. The Offer is expected to launch in the early autumn and will provide investors with exposure to the potential rewards of investing in young technology businesses, with all the tax benefits from the VCT wrapper.

Resolutions 10 and 11 will be proposed at the forthcoming AGM, to allow the Company to allot Shares and waive pre-emption rights as part of the above Offer.

During the year end 31 March 2019, the Company undertook a further fundraising Offer, which reached its full capacity of £7.0 million and closed on 10 May 2019.

Net asset value and results

As at 31 March 2019, the Company's Net Asset Value per share ("NAV") stood at 56.7p, representing an increase of 2.2p (3.8%) over the year after adding back dividends paid.

The Total Return to Shareholders who invested at the launch of the Company in 1998 (NAV plus cumulative dividends) now stands at 158.7p, compared to the original cost (net of income tax relief) of 80.0p per share. A summary of the position for Shareholders who invested in the Company's various other fundraisings is included on page 2 of this report.

The profit on ordinary activities after taxation for the year was £1.3 million (15-month period to 31 March 2018: loss of £1.65 million), comprising a revenue return of £171,000 (2018: £92,000) and a capital return of £1.2 million (2018: loss of £1.7 million).

Venture capital investments

Portfolio activity

During the year, the Company made one follow on investment and nine new investments totalling £6.9 million. A small number of realisations also occurred during the year, generating proceeds of £856,000 and a gain over opening value of £246,000.

Further details on the investment activity can be found in the Investment Manager's report on pages 7 to 8.

Investment valuations

At the year end, the Company held a portfolio of 33 Venture Capital investments valued at £28.7 million. The top ten investments, six of which are new investments alongside Draper Esprit funds, constituted 59.0% of the overall value of the portfolio (including cash) as at 31 March 2019.

The split of the investment portfolio between new Draper Esprit partnered investments and legacy investments is shown below:

	Portfolio split as at 31 March 2019			
	New £'000	Legacy £'000	Cash £'000	Total £'000
Cost	10,483	18,988	10,455	39,926
Gains/(losses)	1,876	(2,609)	-	(793)
Valuation	12,359	16,379	10,455	39,133
Percentage of portfolio	31.7%	41.6%	26.7%	100.0%

New investments constituted 31.7% of the portfolio as at 31 March 2019. The Board expects this percentage to increase over time as Draper Esprit's pipeline continues to provide new investment opportunities for the VCT.

The Board has reviewed the investment valuations at the year end and some adjustments have been made accordingly.

The most significant valuation movement was in respect of Lyalvale Express Limited, a leading producer of shotgun ammunition in the UK. The VCT's investment in the Company has been reduced in value by £1.3m as a result of declining sales volumes from what is proving to be a difficult market. The valuation decrease was partially offset by the dividend income of £218,000 received from the company during the year.

The largest valuation increase was in respect of Fords Packaging Topco Limited (trading as Fords Packaging Systems). The business is continuing to develop innovative packaging solutions and outperform budget expectations, resulting in a valuation uplift of £1.2 million.

Several of the Company's investments are quoted on AIM and such investments have also been revalued at the year end to reflect their quoted prices. The most significant revaluation movement of the AIM investments was a £1.1 million uplift to Access Intelligence plc. The investee company published several positive updates in the year, causing the share price to increase. On the contrary, Fulcrum Utility Services Limited fell in value by £839,000.

StreetTeam Software Limited and Pod Point Holdings Limited have both completed further funding rounds at prices exceeding that at which the VCT originally invested, resulting in valuation uplifts of £678,000 and £885,000 respectively.

In view of the most recent changes to the VCT Regulations, the Company is no longer permitted to provide further funding to Baldwin & Francis Limited. The future of the business is therefore uncertain and the carrying value of the VCT's investment has been reduced to zero as a result.

Overall, the unrealised valuation movements on the portfolio resulted in a net uplift of £1.6 million for the year.

Further commentary on the portfolio, together with a schedule of additions, disposals and details of the ten largest investments can be found within the Investment Manager's Report and Review of Investments on pages 7 to 15.

Dividends

The Board is proposing a final dividend of 1.5p per share, to be paid on 25 October 2019 to Shareholders on the register at 27 September 2019. This will bring the total dividends paid in respect of the year to 3.0p.

Share Buybacks

Historically the Company has repurchased Shares at a discount of approximately 7.5% to NAV. In order to better align the Share Buyback Policy with the expectations of the market, the Board has taken the decision to amend the level of discount set. As such, the Company will now be buying in Shares at a discount of approximately 5% to the latest published NAV, subject to regulatory and liquidity constraints. This revised policy took effect from 1 April 2019.

Any Shareholders who are considering selling their shares will need to use a stockbroker. Such Shareholders should ask their stockbroker to register their interest in selling their shares with Shore Capital.

During the year the Company purchased a total of 1,325,000 shares at an average price of 55.7p per share. Resolution 12 will be proposed at the AGM, to renew the authority for the Company to purchase its own shares.

Annual General Meeting ("AGM")
The forthcoming AGM of the Company will be held on 24 September 2019 at 20 Garrick Street, London, WC2E 9BT at 11:00 a.m.

Notice of the meeting is at the end of this document. Three items of Special Business are proposed; one ordinary resolution and two special resolutions in relation to the allotment of Shares and Share Buybacks.

Outlook
The focus for the Board and Manager will be on continuing to work alongside Draper Esprit to deploy the proceeds of the recent fundraising. Shareholders should therefore expect to see a similar level of new investment activity over the coming year.

I look forward to meeting Shareholders at the AGM and to updating them in the next Half-Year Report to 30 September 2019, which we expect to be published in December.

David Brock
Chairman

24 July 2019

INVESTMENT MANAGER'S REPORT

The co-investment arrangements with Draper Esprit plc, to share deal flow, management experience and investment opportunities, continue to be positive from both an investment and a fundraising perspective. We now define the Company as having two portfolios; a legacy portfolio assembled before the Draper Esprit arrangement and a new technology portfolio invested alongside other Draper Esprit funds.

It has been a busy year for the management team, with a total of nine new investments having been completed, alongside one follow-on investment, one partial exit and two full exits. £6.9 million was invested into nine new technology companies and one existing legacy portfolio company. A further £2.4 million, comprising one new and three follow-on investments, was invested after the year end date. The partial exit and the two full exits were completed from the legacy portfolio. The Company also received retention proceeds from Concorde Limited.

Over the year the Company recorded a 2.2p increase in the Total Return (net asset value including cumulative dividends), from 156.5p to 158.7p. The NAV per share fell by 0.8p to 56.7p after paying dividends of 3.0p during the year.

Within the legacy portfolio Fords Packaging Topco Limited ('Fords'), an exporter of capping and sealing technology products, continues to perform well and we expect the company to report its highest turnover and order book for ten years, in its final results to 30 June 2019. The year end valuation has been increased by £1.2 million to reflect this. We believe that Fords still has the potential to provide further upside.

Alongside other investors, we continued to support AIM quoted Access Intelligence plc ('Access') in its growth path and invested a further £0.6 million during the year. Access is at a transformational stage following a series of successful acquisitions that have accelerated product development to produce the leading reputation management platform for PR, public affairs and influencer marketing under the Vuelio brand. At the November 2018 year end, revenue had increased by 10.2% year-on-year to £8.89 million and the Annual Contract Value base increased by 45% to £12.4 million.

Lyalvale Express Limited has seen year on year sales drop by 4% but the drop in profits has exceeded this as sales of higher margin products have suffered. The valuation has been reduced at the year end.

A continued difficult international trading environment for Baldwin & Francis has resulted in poor performance. As the VCT is not permitted to provide further funding to the business, a 100% provision has been made against the investment.

In July 2018 we realised c.23% of our original shareholding in AIM quoted Fulcrum Utility Services plc. At this time the share price was trading well, meaning that the proceeds from the partial exit exceeded the cost of the entire original shareholding. Since then the share price has continued to decline on the back of external market headwinds affecting the award and build out of larger electrical projects. The company expects these to remain and continue into 2020, however the company remains profitable and pays an annual dividend.

SparesFinder Limited was also sold in the year and we received the remaining escrow from the sale of Concorde Limited in 2017. Total proceeds from all of these exits were £0.9 million.

Within the Draper Esprit portfolio nine new investments, alongside the Draper Esprit group funds, were made into the following companies:

	£'000
Endomag *Cancer detection and tracing technology*	**912**
Pod Point *Installation of electric vehicle charging points*	**860**
Resolving *Complaints resolution software*	**799**
Evonetix *DNA synthesis and synthetic biology technology*	**793**
IXL Premfina *Insurance broker credit software platform*	**756**
Form3 (Back Office Technology) *Cloud native payments connectivity and settlement*	**700**
Roomex *B2B hotel booking portal*	**616**
Apperio *Legal spend software*	**500**
Crowdcube *Equity fundraising platform*	**400**
	6,336

Together, the investments above total £6.3 million into nine separate companies. These investments were all made alongside Draper Esprit funds and often included other corporate and venture capitalists. This corroborates the strategy of investing alongside a strong syndicate of investors. In all of these new investments, a member of the Draper Esprit group is a representative on the portfolio company board.

Whilst we have only invested into these new companies in the last year, several are already showing good sales momentum, namely Pod Point, Crowdcube and Resolver. The highlights from the existing Draper Esprit portfolio are StreetTeam and Endomag, both of which are progressing well against their respective plans.

The Manager remains confident that the new funds raised over the past fundraising seasons can be invested within the qualifying timeframe. Alongside new technology investments, we expect there to be substantial follow-on investments into the Draper Esprit businesses currently in the portfolio.

After the year end the VCT allotted the full £7.0 million of Shares permitted under the 2018 non-prospectus Offer, which closed in May 2019. The Board is also planning to launch a further Offer later this year, with the intention of raising around £20 million.

In summary, it has been a busy period for the Company which has seen a significant level of new investment activity. Whilst the new Draper Esprit investments offer some exciting prospects for the future, a number of these businesses are still at an early stage and it is too soon to judge whether they will ultimately be successful, although several are showing good promise.

The current trajectory across the portfolio is generally positive and while external factors such as Brexit provide an unpredictable backdrop, we remain cautiously optimistic that the portfolio has potential for future growth.

Elderstreet Investments Limited 24 July 2019

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments were held at 31 March 2019. All companies are registered in England and Wales, with the exception of Fulcrum Utility Services Limited, which is registered in the Cayman Islands.

	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio by value
Ten largest venture capital investments (by value)				
Fords Packaging Topco Limited	2,433	6,979	1,213	17.8%
Access Intelligence plc*	2,886	4,705	1,141	12.0%
Lyalvale Express Limited	1,915	2,570	(1,333)	6.6%
StreetTeam Software Limited	1,286	1,964	678	5.0%
Pod Point Holding Limited	860	1,745	885	4.6%
IESO Digital Health Limited	1,500	1,500	-	3.9%
Fulcrum Utility Services Limited*	386	1,110	(839)	2.8%
Endomagnetics Limited	912	912	-	2.3%
Resolving Limited	799	799	-	2.0%
Evonetix Limited	793	793	-	2.0%
	13,770	23,077	1,745	59.0%
Other venture capital investments				
IXL PremFina Limited	756	756	-	1.9%
Push Dr Limited	724	724	-	1.9%
Crowdcube Limited	400	713	313	1.8%
Back Office Technology Limited	700	700	-	1.8%
Roomex UK Limited	616	616	-	1.6%
Cashfac plc	260	525	131	1.3%
Apperio Limited	500	500	-	1.3%
AppUx Limited	326	326	-	0.8%
Light Blue Optics Limited	311	311	-	0.8%
Macranet Limited	1,037	259	-	0.7%
Servoca plc*	333	120	(108)	0.3%
Sift Limited	125	42	-	0.1%
Location Sciences Group plc* (formerly Proxama plc)	860	7	1	-
Kellan Group plc*	657	2	(5)	-
Baldwin & Francis Limited	1,534	-	(422)	-
AngloINFO Limited	3,527	-	-	-
Uvenco UK plc*	1,326	-	(36)	-
The National Solicitors Network Limited	501	-	-	-
Ridee Limited	499	-	-	-
The QSS Group Limited	268	-	-	-
RB Sport & Leisure Holdings plc	188	-	-	-
Infoserve Group plc	128	-	-	-
EDO Consulting Limited (formerly Sift Digital Limited)	125	-	(48)	-
	15,701	5,601	(174)	14.3%
	29,471	28,678	1,571	73.3%
Cash at bank and in hand		10,455		26.7%
Total investments		39,133		100.0%

All venture capital investments are unquoted unless otherwise stated

* Quoted on AIM

Investment movements for the year ended 31 March 2019

ADDITIONS

	£'000
Venture capital investments	
Endomagnetics Limited	912
Pod Point Holding Limited	860
Resolving Limited	799
Evonetix Limited	793
IXL PremFina Limited	756
Back Office Technology Limited	700
Roomex UK Limited	616
Access Intelligence plc *	553
Apperio Limited	500
Crowdcube Limited	400
	6,889

DISPOSALS

	Cost £'000	Value at 1 April 2018 £'000	Proceeds £'000	Profit/(loss) vs cost £'000	Realised gain £'000
Quoted investments					
Fulcrum Utility Services Limited *	114	576	633	519	57
Venture Capital Investments					
Lyalvale Property Limited	300	-	-	(300)	-
SparesFinder Limited	104	34	64	(40)	30
Retention proceeds					
Concorde Limited	-	-	159	159	159
	518	610	856	338	246

* Quoted on AIM

Further details of the ten largest investments are as follows:

Fords Packaging Topco Limited
www.ford-packsys.com

Cost at 31/03/19:		£2,433,000	Valuation at 31/03/19:	£6,979,000
Cost at 31/03/18:		£2,433,000	Valuation at 31/03/18:	£5,766,000
Investment comprises:				
Equity shares:		£2,425,000	Valuation method:	Earnings multiple
8% loan note:		£8,000		
Audited accounts:	30/06/18	30/06/17	Dividend income:	£250,000
Turnover:	£7.7m	£7.6m	Loan note income:	£1,000
Profit before tax:	£1.1m	£1.0m	Proportion of capital held:	48.7%
Net assets	£3.6m	£3.2m	Diluted equity:	46.4%

Based in Bedford, Fords is a leading supplier of capping presses and also manufactures Rotary Sealers. It is widely known for its expertise in sealing and closure technology for food and drink applications where high standards of hygiene are required.

Access Intelligence plc
www.accessintelligence.com

Cost at 31/03/19:		£2,886,000	Valuation at 31/03/19:	£4,705,000
Cost at 31/03/18:		£2,333,000	Valuation at 31/03/18:	£3,011,000
Investment comprises:				
Equity shares:		£2,586,000	Valuation method:	Bid price/ Fair value of loan notes
10% loan note:		£300,000		
Equity share options:		£Nil		
Audited accounts:	30/11/18	30/11/17	Dividend income:	£Nil
Turnover:	£8.9m	£8.1m	Loan note income:	£36,000
Loss before tax:	(£1.7m)	(£3.8m)	Proportion of capital held:	11.7%
Net assets:	£10.7m	£0.3m	Diluted equity:	13.1%

Access Intelligence is a leading vendor of software for public relations, public affairs and stakeholder communication professionals seeking to identify, understand and engage with the right influencers.

Lyalvale Express Limited
www.lyalvaleexpress.com

Cost at 31/03/19:		£1,915,000	Valuation at 31/03/19:	£2,570,000
Cost at 31/03/18:		£1,915,000	Valuation at 31/03/18:	£3,903,000
Investment comprises:				
Equity shares:		£1,915,000	Valuation method:	Earnings multiple
Audited accounts:	31/03/18	01/04/17	Dividend income:	£2173,000
Turnover:	£7.2m	£7.8m		
Profit before tax:	£1.0m	£0.8m	Proportion of capital held:	44.2%
Net assets:	£9.4m	£8.9m	Diluted equity:	44.2%

Lyalvale is the leading producer of shotgun ammunition in the UK. It has developed a range of more than 30 different models of cartridge, suitable for both game and clay shooting.

StreetTeam Software Limited
verve.co

Formerly StreetTeam

Cost at 31/03/19:		£1,286,000	Valuation at 31/03/19:	£1,964,000
Cost at 31/03/18:		£1,286,000	Valuation at 31/03/18:	£1,286,000
Investment comprises:				
A Preference shares:		£1,286,000	Valuation method:	Price of recent investment
Unaudited accounts	31/12/17	31/12/16	Dividend income:	£Nil
Turnover:	Unpublished information			
Profit before tax:	Unpublished information		Proportion of capital held:	2.7%
Net assets:	£8.2m	£4.0m	Diluted equity:	2.3%

StreetTeam Software Limited, trading as Verve, operates a peer-to-peer event marketing platform. Its platform enables users to start earning free tickets, rewards and festival experience by selling tickets and recommending the festival to friends.

Pod Point Holding Limited
Pod-point.com

Charging your Electric Car

Cost at 31/03/19:		£860,000	Valuation at 31/03/19:	£1,745,000
Investment comprises:				
Equity shares:		£860,000	Valuation method:	Price of recent investment
Audited accounts:	30/06/18	30/06/17	Dividend income:	£Nil
Turnover:	£11.7m	£7.2m		
Loss before tax:	(£5.7m)	(£4.7m)	Proportion of capital held:	1.3%
Net assets:	£2.4m	£0.8m	Diluted equity:	1.2%

Pod Point is the UK's leading provider of electric vehicle charging. Since forming in 2009, they have manufactured and sold over 40,000 charging points and developed one of the UK's largest public networks, connecting EV drivers with hundreds of charging stations nationwide.

IESO Digital Health Limited
www.iesohealth.com

digital health

Cost at 31/03/19:		£1,500,000	Valuation at 31/03/19:	£1,500,000
Cost at 31/03/18:		£1,500,000	Valuation at 31/03/18:	£1,500,000
Investment comprises:				
A Preference shares:		£1,500,000	Valuation method:	Price of recent investment
Unaudited accounts:	31/12/17	31/12/16	Dividend income:	£Nil
Turnover:	£4.5m	£2.7m		
Loss before tax:	(£6.3m)	(£3.8m)	Proportion of capital held:	4.8%
Net assets:	£13.5m	£1.3m	Diluted equity:	4.3%

IESO Digital Health Limited is the UK's largest provider of online mental healthcare. The service, "ieso", is available through the NHS as part of Improving Access to Psychological Therapies (IAPT), and has transformed mental health delivery in the UK by making high quality, evidence-based Cognitive Behavioural Therapy (CBT) available to more than 9 million people.

Fulcrum Utility Services Limited
www.fulcrumutilityserviceslimited.co.uk

Cost at 31/03/19:		£386,000	Valuation at 31/03/19:	£1,110,000
Cost at 31/03/18:		£500,000	Valuation at 31/03/18:	£2,525,000
Investment comprises:				
Equity shares:		£386,000	Valuation method:	Bid price
Audited accounts:	31/03/18	31/03/17	Dividend income:	£69,000
Turnover:	£44.8m	£37.7m		
Profit before tax:	£7.0m	£6.5m	Proportion of capital held:	1.5%
Net assets:	£36.3m	£10.4m	Diluted equity:	1.5%

Fulcrum is a leading independent utilities organisation that provides gas and multi-utility infrastructure design, technical engineering, project management and consultancy across all sectors nationally.

Endomagnetics Limited
www.endomag.com

Cost at 31/03/19:		£912,000	Valuation at 31/03/19:	£912,000
Investment comprises:				
Preference shares:		£912,000	Valuation method:	Price of recent investment
Audited accounts:	31/12/18	31/12/17	Dividend income:	£Nil
Turnover:	Unpublished information			
Profit before tax:	Unpublished information		Proportion of capital held:	2.9%
Net assets:	£8.1m	£0.4m	Diluted equity:	2.5%

Endomag was founded in 2007 as a spin-out from the University College London (UCL) and the University of Houston. With the aim of bringing cancer care to everyone, everywhere, Endomag is developing a clinical platform that uses safe magnetic fields to power diagnostic and therapeutic devices. The company is currently selling products across Europe, the Middle East, Africa and Australasia and is seeking marketing authorisation in other countries to deliver its technology to global markets.

Resolving Limited
www.resolvergroup.com

Cost at 31/03/19:		£799,000	Valuation at 31/03/19:	£799,000
Investment comprises:				
Equity shares:		£799,000	Valuation method:	Price of recent investment
Audited accounts:	31/12/18	31/12/17	Dividend income:	£Nil
Turnover:	Unpublished information			
Profit before tax:	Unpublished information		Proportion of capital held:	3.0%
Net assets:	£6.7m	£0.9m	Diluted equity:	2.8%

Resolving Limited (trading as "Resolver") is the leading complaints resolution company. Resolver offers a range of services for businesses including a unique Online Dispute Resolution platform, called Decider, as well as a Resolver for Business integrated platform designed to help build and maintain trust with consumers.

REVIEW OF INVESTMENTS (continued)

Evonetix Limited	Cost at 31/03/19:		£793,000	Valuation at 31/03/19:	£793,000
www.evonetix.com	Investment comprises:				
	Preference shares:		£793,000	Valuation method:	Price of recent investment
	Unaudited accounts:	31/12/17	31/12/16	Dividend income:	£Nil
	Turnover:	£nil	£nil		
	Loss before tax:	(£1.8m)	(£1.3m)	Proportion of capital held:	3.9%
	Net (liabilities)/assets:	(£1.2m)	£0.6m	Diluted equity:	3.1%

Evonetix Ltd develops technology that enables the parallel synthesis of DNA on silicon arrays, to facilitate the fast-emerging field of synthetic biology.

Notes on the top ten investment disclosures

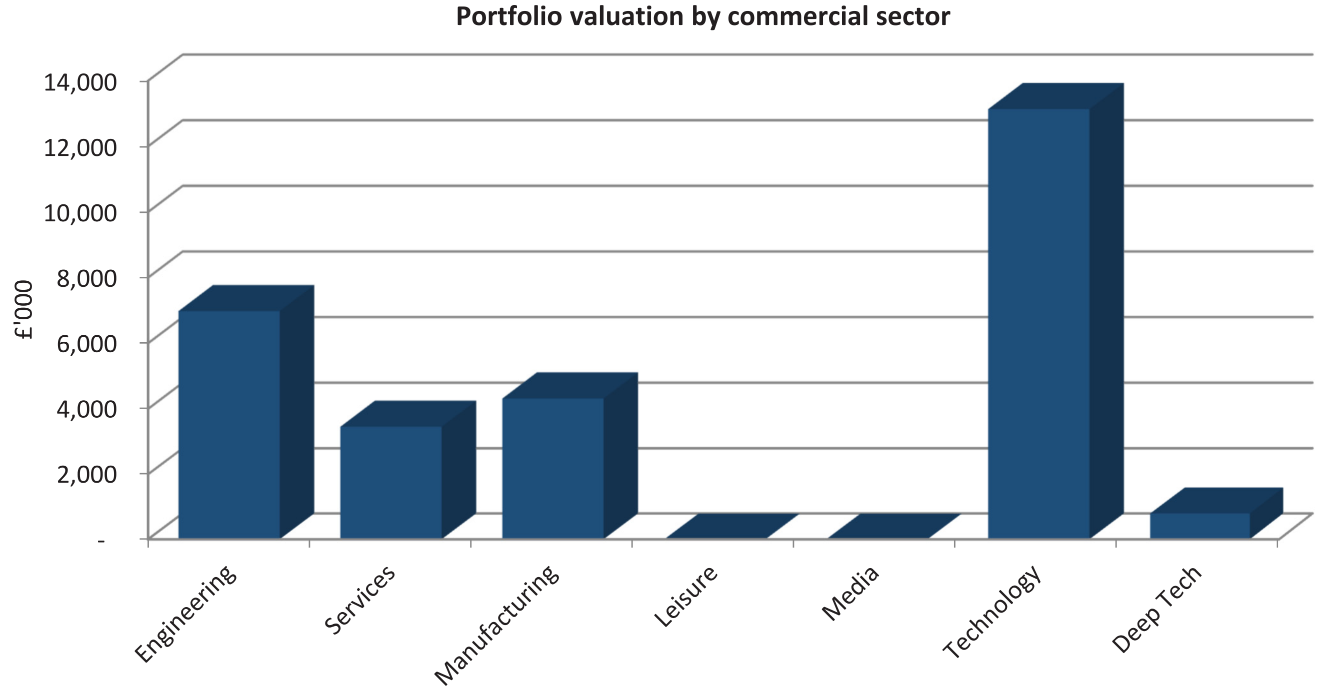
Except where disclosed, the proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

Loan notes disclosed in the above tables are valued at current expected redemption value, which is normally at par.

REVIEW OF INVESTMENTS (continued)

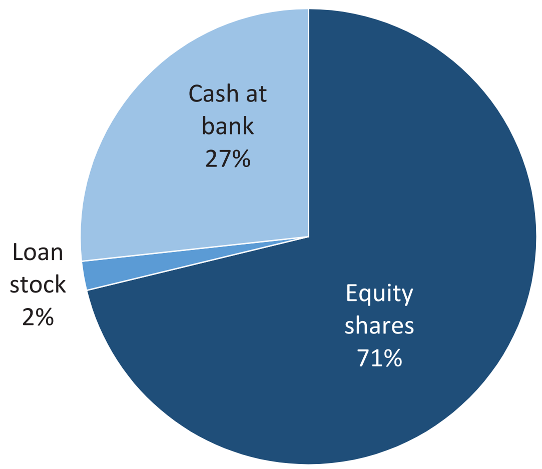
Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by value at 31 March 2019) is as follows:



Analysis of investments by nature of instrument

The following chart summarises the Company's investment portfolio by the nature of instrument held (by value at 31 March 2019):



VCT Qualifying and non-qualifying investments

The Company's assets have been employed in accordance with the targets set out in the Investment Policy. The allocation of investments currently included in the HMRC VCT Qualification test is shown below:

Split of investments by value (according to VCT regulations)	Actual	Target*
VCT Qualifying investments	88.3%	>70%
Non-qualifying investments (including cash at bank)	11.7%	<30%
Total	100.0%	100%

*The VCT Qualification threshold, and therefore the target, will increase to 80% from 1 April 2020.

The above table excludes funds raised under the recent Offers for Subscription, which are not yet included in the VCT Qualification test.

STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 31 March 2019. The Board have prepared this report in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Principal objectives and strategy

The Company is a Venture Capital Trust whose principal investment objectives are outlined on page 3.

As a Venture Capital Trust, Investors are required to hold their shares for a minimum period of five years in order to retain their income tax relief.

Business review and developments

As at 31 March 2019 the investment portfolio had increased in value by £1.6 million (31 March 2018: the investment portfolio had decreased in value by £1.8 million). Realised gains on investment disposals totalled £246,000 for the year (2018: £757,000 for the period).

Total running costs for the year (2018: 15-month period), including expenses charged to capital, exceeded revenue income by £492,000 (2018: £578,000), including performance fees of £nil (2018: £nil).

The annualised ongoing charges ratio was 3.0% (2018: 3.0%).

The total profit for the year was £1.3 million (15-month period to 31 March 2018: loss of £1.65 million). Net assets as at 31 March 2019 were £39.0 million (2018: £36.7 million). Dividends paid during the year totalled £2.1 million (2018: £1.8 million for the period).

In order to maintain the distributable reserves of the Company, the Board sought the approval of Shareholders, at the 2018 AGM, to cancel the balance on the Share Premium account. This process was formally completed in October 2018, at which time the cumulative balance of the Share Premium account, being £25.6 million, was transferred to the special reserve.

In view of the VCT Qualifying investments made during the year, the cash balances held by the VCT reduced from £16.0 million as at 31 March 2018 to £10.5 million as at 31 March 2019. The 2018 Offer, which closed on 10 May 2019, contributed a further £7.0 million to the Company's cash position after the year end.

The Company's business and developments during the year are reviewed further in the Chairman's Statement, the Investment Manager's Report and the Review of Investments.

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's level of success in meeting its Investment Policy (as shown on page 18). The Board believes the Company's key performance indicators, for comparison against similar VCTs, are Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see page 2). In addition, the Board considers the Company's performance in relation to other VCTs.

The performance of the VCT, measured by historic Share Price Total Return, is shown by the graph on page 24.

The Chairman's Statement and Investment Manager's Report include further commentary on the Company's activities and future prospects.

Principal risks and uncertainties

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Board has ensured that there are policies in place for managing each of these risks. The principal financial risks faced by the Company, which include interest rate, investment price, credit and liquidity risks, are summarised within note 15 of the financial statements. Note 15 also includes an analysis of the sensitivity of the valuation of the portfolio to changes in key valuation inputs.

Other principal risks faced by the Company have been assessed by the Board and grouped into the key categories outlined below:

- Underperformance;
- Regulatory;
- Operational; and
- Economic, political and other external factors.

Underperformance

The Company holds investments in unquoted and quoted UK businesses, with a focus on the technology sector. Poor investment decisions or a lack of effective monitoring and management of investments could result in a reduction in the NAV of the Company. In addition, as the Company may not be in control of the timing of its exits, owing to its minority shareholding in the portfolio companies, there is a risk that sales prices are not maximised.

The Investment Manager, along with Draper Esprit plc, have significant experience in investing in unquoted UK companies and engage reputable and experienced advisers at each stage of the investment process. Furthermore, the Board regularly reviews the performance of the portfolio.

Principal risks and uncertainties (continued)

Regulatory

The Company, as a fully listed Company on the London Stock Exchange with a premium listing and as a Venture Capital Trust, operates in a complex regulatory environment and therefore faces related risks. A breach of the VCT Regulations could result in the loss of VCT status and consequent loss of tax reliefs currently available to Shareholders and the Company being subject to capital gains tax. Serious breaches of other regulations, such as the Listing Rules of the Financial Conduct Authority and the Companies Act, could lead to suspension from the Stock Exchange and damage to the Company's reputation.

The Board receives quarterly reports from the Investment and Administration Managers, which monitor the compliance of these risks, and places reliance on the them to give updates in the intervening periods. These policies have remained unchanged since the beginning of the financial year. Philip Hare & Associates LLP provides regular independent reviews of the Company's VCT status, as well as advice on VCT compliance issues as and when they arise.

In order to further mitigate this risk, the Board monitors regulatory and legislative developments. The Company also has a strong compliance culture and systems in place to ensure that the Company complies with all of its regulatory requirements.

Further commentary on VCT Status is provided on pages 18 to 19.

Economic, political and other external factors

Fluctuations in the stock market due to Brexit uncertainty, economic recession or monetary policy could affect the valuations of quoted investee companies, even if such companies are performing to plan. The impact of this on the NAV of the Company is mitigated by the portfolio largely consisting of investments in unquoted companies.

Operational

The Company relies on the Investment Manager, Administration Manager and other third parties to fulfil many of its operational requirements and duties. A provision of inferior services by one or more of these parties could lead to inadequate systems and controls or inefficient management of the Company, its assets and its reporting requirements.

The Company, the Investment Manager and the Administration Manager engage experienced and reputable service providers, the performance of which is reviewed on an annual basis by the Board. In addition, the Audit Committee reviews the Internal Control and Corporate Governance Manual on an annual basis.

Wider political and economic events also have the potential to impact the performance and therefore valuations of the unquoted companies in the portfolio as a result of a deterioration in business and consumer confidence. This is mitigated by holding a diversified portfolio of investments across a wide range of technology subsectors.

Viability statement

In accordance with Principle 21 of the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for a period of six years from the balance sheet date, this being the time horizon after which all investors will have passed their five-year holding period.

The six-year review considers the principal risks facing the Company, which are summarised within note 15 as well as the Company's cash flows, dividend cover and VCT monitoring compliance over the period. The three-year review makes assumptions about the normal level of capital recycling likely to occur, expenses, dividends and share buybacks.

The Directors believe that the Company is well placed to manage its business risks successfully. Based on the results the Board believes that, taking into account the Company's current position and subject to the principal risks faced by the business, the Company will be able to continue in operation and meet its liabilities as they fall due for a period of at least six years from the balance sheet date.

Business Model

The Company operates as a Venture Capital Trust to ensure that its Shareholders can benefit from tax reliefs available.

The business of the Company is to act as an investment company, investing in a portfolio which meets the conditions set within its Investment Policy, as shown on the next page.

Share Buybacks

The Company operates a policy of buying in shares at a discount of approximately 5% to the latest published NAV, subject to regulatory and liquidity constraints.

During the year the Company purchased a total of 1,325,000 Shares at an average price of 55.7p per share. These Shares were subsequently cancelled.

Resolution 12 will be proposed at the forthcoming AGM, to renew the authority for the Company to purchase its own Shares.

Investment Policy

The Company's current Investment Policy is as follows:

The Company currently holds a portfolio which is mixed by sector, with new investment activity focused on the technology sector.

The Company will continue to invest in a diversified portfolio of companies, predominantly in the technology sector, with a particular emphasis on unquoted companies which will usually have the following characteristics:

1. Companies which meet the VCT criteria with the ability to grow, which are seeking growth capital;
2. A strong, balanced and well-motivated management team;
3. Investments where the Manager can typically be an active investor and have a board or observer position;
4. Companies with products or services which have the potential to sustain a competitive advantage; and
5. Companies with reasonable prospects of achieving a trade sale or stock market flotation.

Future VCT Qualifying Investments will usually be syndicated alongside other Draper Esprit funds and are expected to have a deal size of up to the greater of £1.5 million or 10% of the Net Asset Value of the Company, with a focus on the following technology sectors:

1. Consumer Technology: companies with exceptional growth opportunities in international markets that are underpinned by new consumer facing products, innovative business models and proven execution capabilities;
2. Enterprise Technology: companies developing the software infrastructure, applications and services that drive productivity improvements, convenience and cost reduction for enterprises;
3. Hardware and Deep Technology: companies developing different technologies that underpin advances in computing, consumer electronics and other industries; and
4. Healthcare and Wellness: companies leveraging digital and other technologies to create new products and services for the health and wellness market.

Risk Diversification

The Company's portfolio will be diversified by investing in a portfolio of VCT qualifying investments covering a number of technology sectors. The maximum that the Company will hold in a single investment (by value at the time of investment) is 15% of funds invested.

Non-Qualifying Investments

The Company will invest such funds not utilised in VCT Qualifying Investments in cash and other near cash assets, as permitted under VCT regulations.

Venture Capital Trust regulations

The Company will be managed with the intention of maintaining its VCT status by satisfying a number of tests set out in Part 6 of the Income Tax Act 2007. Compliance with the applicable VCT Regulations is disclosed on the next page.

Borrowings

It is not the Company's intention to have any borrowings. However, the Company does have the ability to borrow not more than 10% of the aggregate of the nominal capital of the Company (being issued and paid up) plus the amounts standing to the credit of the consolidated reserves of the Company.

At 31 March 2019 the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £3.9 million. There are no plans to utilise this ability at the current time.

VCT Status

In continuing to maintain its VCT status the Company complies with a number of regulations, as set out in Part 6 of the Income Tax Act 2007.

The Company has retained Philip Hare & Associates LLP to advise it on compliance with VCT requirements, reporting directly to the Board. Philip Hare & Associates LLP works closely with the Managers of the Company, undertaking reviews of the VCT compliance status of new investment opportunities, providing regular compliance updates on the Company's existing portfolio of investments and providing advice on VCT compliance issues as and when they arise.

VCT Status (continued)

Compliance with the main VCT regulations as at 31 March 2019, and for the year then ended, is summarised as follows:

1. 70% of its investments is held in qualifying companies (rising to 80% from 1 April 2020);	88.3%
2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" for funds raised before 5 April 2011, and 70% thereafter;	Complied
3. At least 10% of each investment in a qualifying company is held in "eligible shares";	Complied
4. No investment constitutes more than 15% of the Company's portfolio (by value at the time of investment);	Complied
5. The Company's income for each financial year is derived wholly or mainly from shares and securities;	86.2%
6. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained; and	Complied
7. Prior to 5 April 2012, the maximum unit size of £1 million in each VCT qualifying investment (per tax year). Post 5 April 2012 the maximum investment by a VCT in any company is £5 million (£10 million for a 'knowledge-intensive' company) in the twelve months ending on the date of the VCT's investment.	Complied

The most recent changes to the VCT Regulations sought to strengthen the availability of capital for innovative growth businesses in the UK. The Board has assessed the impact of such changes and considers the following are of the greatest significance to the Company:

- With effect from 1 April 2020 the proportion of VCT funds that must be held in qualifying holdings will increase from 70% to 80%; and
- At least 30% of the of the proceeds of any Share issue must be invested in VCT Qualifying companies within 12 months.

The Board and Investment Manager are working together, alongside the Administration Manager, to meet the new requirements. The Board is confident that the deal sharing arrangements with Draper Esprit plc mean that the Company is well placed to comfortably meet the above criteria.

Environmental, social and human rights policy

The Company seeks to conduct its affairs responsibly. Where appropriate, the Board and the Managers take environmental, social and human rights factors into consideration when making investment decisions.

Global greenhouse gas emissions

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

Directors and senior management

The Company does not have any employees, including senior management, other than the Board of the five male non-executive directors. There are no female directors. The Company's policy regarding diversity is set out in full in the Corporate Governance Statement on page 26.

Whilst the Board have delegated the day to day operation of the Company to its advisers, details of which are contained within the Report of the Directors, they retain the responsibility of planning, directing and controlling the activities of the Company.

Future Prospects

The Company's future prospects are set out in the Chairman's Statement and Investment Manager's Report.

By order of the Board

G Whitehouse

Grant Whitehouse
Company Secretary
Draper Esprit VCT plc
Company number: 03424984
Registered office:
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

24 July 2019

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 March 2019.

Share capital

During the year the Company issued a total of 3,879,146 Ordinary Shares of 5p each ("Ordinary Shares") at an average price of 62.98p per share, under the Offer that launched in December 2017. The gross proceeds of the Offer were £3.9 million, with issue costs in respect of the Offer amounting to £153,000.

During the year, the Company purchased 1,325,000 Ordinary Shares for cancellation for an aggregate consideration of £730,000, equating to an average price of 55.07p per share. The purchases were undertaken at an average of a 6.3% discount to the most recently published NAV, as at the date of purchase. These shares were subsequently cancelled.

The total number of Ordinary Shares in issue at 31 March 2019 was 68,719,111.

On 11 January 2019 the Company launched a further Offer. On 10 May 2019 the Offer closed having raised a total of £7.0 million. Between the balance sheet date and 10 May 2019, 11,902,047 Ordinary Shares were issued at an average price of 58.67p per Ordinary Share. At the date of this report the total number of Ordinary Shares in issue was 80,621,158. There are no other share classes in issue.

Results and dividends

	£'000	Pence per share
Profit on ordinary activities after tax for the year ended	1,325	1.9
Dividends paid in the year		
12 October 2018	1,039	1.5
29 March 2019	1,032	1.5
	2,071	3.0

Your Company will pay a final dividend of 1.5p per Ordinary Share on 25 October 2019, to Shareholders on the register at 27 September 2019, subject to Shareholder approval at the AGM.

Directors

The Directors of the Company during the year were as follows:

David Brock (Chairman)
Hugh Aldous
Barry Dean
Michael Jackson
Nicholas Lewis

In accordance with corporate governance best practice all Directors retire at each AGM, with those wishing to do so putting themselves forward for re-election. Accordingly, at the forthcoming AGM all Directors will retire and will, being eligible, offer themselves for re-election. The Board recommends that Shareholders take into consideration each Director's considerable experience in VCTs and other areas, as shown in their respective biographies on page 3, together with the performance of the Company over the years, in order to support the resolutions to re-appoint each of the Directors.

Each of the Directors has entered into an agreement for services which is terminable on three months' notice by either side. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires and their powers are bound by the Company's Articles of Association. Appointments of new Directors to the Board are considered by all existing Directors as and when required.

The Company provides Directors' and Officers' liability insurance, giving appropriate cover for legal action brought against its Directors. The Company has also agreed to indemnify Directors in circumstances where they are not considered to be culpable. The indemnity, which is a qualifying third-party indemnity provision for the purpose of the Companies Act, is for the benefit of all of the Company's Directors.

Investment management fees

Elderstreet Investments Limited is the Investment Manager for the Company and receives a fee of 2.0% of net assets per annum. The agreement, originally entered into on 30 January 1998 for a fixed period of five years, is terminable by one year's prior written notice by either side.

The Board is satisfied with the performance of the Company and with Elderstreet Investments Limited's strategy, approach and procedures in providing investment management services to the Company. The Directors have therefore concluded that the continuing appointment of Elderstreet Investments Limited as Investment Manager remains in the best interest of Shareholders.

Performance incentive fees

No performance incentive fees are payable in respect of the year under review as the relevant conditions have not been met. Performance incentive fees are payable to the Investment Manager when the Company has paid and/or proposed dividends totalling at least 3.5p per share in respect of any one financial year and when the NAV, before the dividends, is above 70.6p per share

Performance incentive fees (continued)

Should the test be met, the fee is calculated at a rate of 20% of the dividend per share in excess of 3.5p and is based on the shares in issue at the year end. The performance incentive fee will also have a catch-up if the dividend element of the test is not met.

Annual running costs cap

The Company's annual running costs (which exclude any performance fees payable) are capped at 3.5% of the net assets. Any excess will be paid by the Managers. The annualised expense ratio for the year, based on weighted net assets during the year ended 31 March 2019, was 3.0% (15-month period ended 31 March 2018: 3.0%).

Administration management fees

Downing LLP provides administration services to the Company for a fee of £50,000 per annum. The agreement is terminable by one year's prior written notice by either side.

Substantial interests

As at 31 March 2019, and the date of this report, the Company was not aware of any beneficial interests exceeding three per cent of the issued Ordinary Share capital.

Auditor

A resolution to reappoint BDO as the Company's Auditor will be proposed at the forthcoming AGM.

Annual General Meeting

The Annual General Meeting will be held at 20 Garrick Street, London WC2E 9BT at 11:00 a.m. on 24 September 2019. The AGM Notice is at the end of this document.

Directors' responsibilities statement

The Directors are responsible for preparing the Report of the Directors, the Strategic Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

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

Each of the Directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 3, confirms that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report, comprising the Chairman's Statement, the Strategic Report, the Investment Manager's Report, the Review of Investments and the Report of the Directors, includes a fair review of the development and performance of the business and the position of the Company, together with the principal risks and uncertainties that it faces.

Electronic publication

The financial statements are published on www.elderstreet.com (maintained by the Investment Manager) and on www.downing.co.uk (maintained by the Administration Manager). Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Corporate Governance

The Company's compliance with and departures from the AIC Code of Corporate Governance (www.theaic.co.uk), are disclosed on page 28.

Statement as to disclosure of information to Auditor

The Directors in office at the date of this report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

Other matters

Information in respect of financial instruments, greenhouse emissions and future developments which were previously disclosed within the Report of the Directors have been disclosed within the Strategic Report on pages 16 to 19.

By order of the Board

G Whitehouse

Grant Whitehouse
Company Secretary
Draper Esprit VCT plc
Company number: 03424984
Registered office:
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

24 July 2019

DIRECTORS' REMUNERATION REPORT

Annual statement from the Chairman of the Remuneration Committee: Hugh Aldous

The Remuneration Committee comprises David Brock, Barry Dean, Michael Jackson, Nicholas Lewis and myself.

The Committee has reviewed the current fee structure and noted that the current fees have been in place since 1 January 2015. Since this time, the net assets of the Company have increased by approximately 94% and are expected to continue to increase as further funds are raised. Furthermore, as the Company is now an active investor, the time commitments required of each of the Directors has increased significantly.

As a result of the considerations noted above, the Remuneration Committee has agreed that the fee structure should be revised with effect from 1 April 2019, as set out in the table in the next column. The Chairman of the Board and the Chairman of the Audit Committee will receive additional remuneration to the other non-executive Directors, in view of the additional responsibilities attributable to these roles.

The Remuneration Committee has satisfied itself that the revised fee structure brings the Company in line with similar VCTs and is commensurate with the time commitments required of each of the Directors.

Remuneration policy report

Below is the Company's remuneration policy, which was last put to a Shareholder vote at the AGM in 2017. The policy will next be put to Shareholders at the AGM in 2020.

The Company's policy on Directors' remuneration is to seek to remunerate Board members at a level appropriate for the time commitment required and degree of responsibility involved for a Venture Capital Trust of this size. This includes the determination of the remuneration for new Directors, which is set by the Remuneration Committee.

Non-executive Directors are not entitled to any performance related pay or incentive and therefore Directors' remuneration will not increase with performance.

Directors' remuneration is calculated in accordance with the Company's Articles of Association as follows:

- *The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors, including any expenses incurred in attending meetings of the Board or of Committees of the Board or general meetings and if in the opinion of the Directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid reasonable additional remuneration and expenses as the Directors may from time to time determine.*
- *The Directors shall be paid out of the funds of the Company by way of fees for their services an aggregate sum not exceeding £1,000,000 per annum. The Directors shall also receive by way of additional fees such further sums (if any) as the Company in general meeting may from time to time determine.*
- *Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of determination equally.*

A remuneration payment or payment for loss of office can only be made to a current or former director that is within the scope of the approved policy (subject to the Articles), unless approved by a separate Shareholder resolution.

The Board receives feedback from Shareholders from time to time via direct correspondence, telephone calls and at the AGM. The Remuneration Committee takes account of any comments in respect of the remuneration policy when it undertakes its regular review of the policy.

Agreement for services

Each of the Directors has signed an agreement for services with the Company which specifies a notice period of three months. Each Director is required to devote such time to the affairs of the Company as the Board reasonably requires.

Annual report on remuneration

The Directors' remuneration and share interests disclosure below are required to be audited under the requirements of section 497. The audit opinion thereon is contained within the Auditor's Report on pages 29 to 33.

Directors' remuneration for the year (2018: 15-month period) under review was as follows:

	Annual fees from 1 April 2019 £	Year to 31 Mar 19 £	Period to 31 Mar 18 £
David Brock	30,000	22,500	28,125
Hugh Aldous	26,500	17,500	21,875
Barry Dean	24,000	17,500	21,875
Michael Jackson	24,000	15,000	18,750
Nicholas Lewis	24,000	15,000	18,750
	128,500	87,500	109,375

No other emoluments, pension contributions or life assurance contributions were paid by the Company to, or on behalf of, any Director. The Company does not have any share options in place.

The committee consider these levels to be comparable to other similar VCTs and appropriate for the time commitment required and degree of responsibility involved in being a non-executive director of the Company.

Statement of voting at the AGM

Shareholders' views in respect of Directors' remuneration are communicated at the Company's AGM and are taken into account in formulating the Directors' remuneration policy. At the last AGM on 18 September 2018 the votes in respect of the resolution to approve the Directors' Remuneration Report were as follows: -

In favour	91.1%
Against	8.9%
Withheld	-

Statement of voting at the AGM (continued)

At the 2017 AGM, where the remuneration policy was last put to a Shareholder vote, 97.3% voted for the resolution and 2.7% voted against, showing significant Shareholder support.

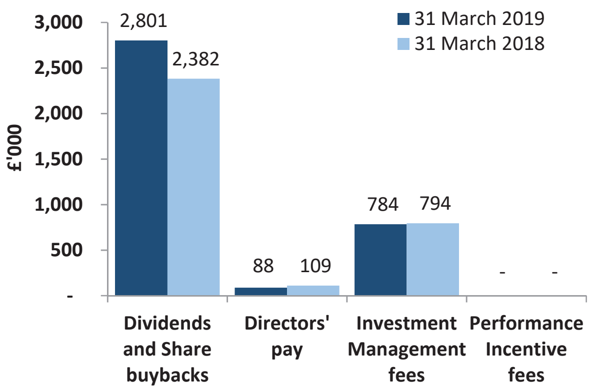
Directors share interests

The beneficial interests of the Directors in the issued Ordinary Shares in the Company at each period end and the date of this report were as follows:

	31 Mar 2019	31 Mar 2018
David Brock	104,281	104,281
Hugh Aldous	20,710	20,710
Barry Dean	20,421	20,421
Michael Jackson	801,790	801,790
Nicholas Lewis	48,498	48,498

Relative importance of spend on pay

The differences in actual spend between the year ended 31 March 2019 and the 15-month period to 31 March 2018 on remuneration for all directors, in comparison to distributions (dividends and share buybacks) and other significant spending, are set out in the tabular graph below:



Performance graph

The graph at the foot of the page charts the total cumulative Shareholder return of the Company (assuming all dividends are re-invested) ("NAV Total Return") and Total Return of the Company's Share Price ("Share Price Total Return") over the past ten years, compared to Numis Smaller Companies Index (Total Return, excluding investment companies), each of which has been rebased to 100 pence as at 31 March 2009.

The Board believes that NAV Total Return provides Shareholders with a fairer reflection of the Company's long-term value than the Company's share price, due to the long-term nature of an investment in Venture Capital Trust shares. The Numis Smaller Companies Index is considered to be the most appropriate broad equity market against which Investors can measure the relative performance of the Company, as it focuses on smaller companies and is more relevant than most other publicly available indices.

By order of the Board

GWhitehouse

Grant Whitehouse
Company Secretary
Draper Esprit VCT plc
Company number: 03424984
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6th Floor, St. Magnus House
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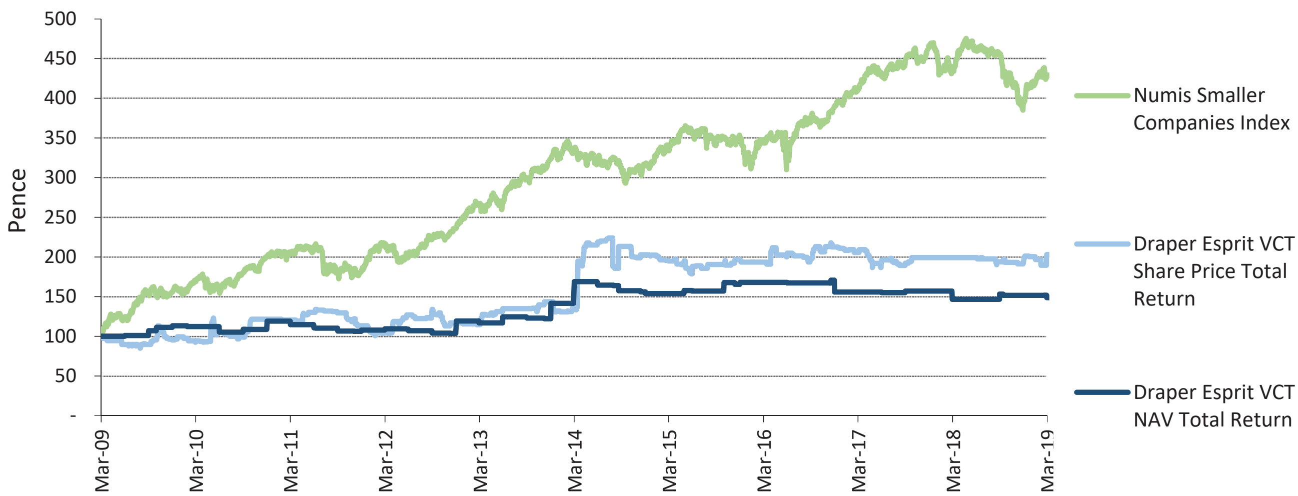
London EC3R 6HD

24 July 2019

Performance graph



CORPORATE GOVERNANCE STATEMENT

The Board has considered the principles and recommendations of the 2016 AIC Code of Corporate Governance ("AIC Code") by reference to the 2016 AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). As explained by the AIC Guide, the AIC Code addresses all principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and recommendations of the AIC Code, by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders.

The 2019 AIC Code of Corporate Governance has been issued and this will apply to the year ending 31 March 2020.

The Board

The Company has a Board comprising of five non-executive Directors. The Chairman is David Brock and the Senior Independent Director is Hugh Aldous. Biographical details of all Board members (including the significant commitments of the Chairman) are shown on page 3.

The Board considers the independence of each of the Directors on an ongoing basis. Whilst each of the Directors has served on the Board for longer than nine years, each Director, with the exception of Michael Jackson, is considered to be independent of the Company in accordance with the provisions and recommendations set out in the AIC Code and AIC Guide. The majority of the Board is therefore considered independent of the Company and the Investment Manager.

In accordance with Company Policy and in the interest of good Corporate Governance, all Directors will retire at the forthcoming AGM and will, being eligible, offer themselves for re-election.

Full Board meetings take place quarterly and the Board meets or communicates more regularly to address specific issues. The Board has a formal schedule of matters specifically reserved for its decision which includes but is not limited to; considering recommendations from the Investment Manager, making decisions concerning the acquisition or disposal of investments outside of the scope of the discretionary management agreement and annually reviewing the terms of engagement of all third-party advisers (including the Investment Manager and Administration Manager).

As the Company has a small Board of non-executive Directors, all Directors sit on the Nomination Committee and the Remuneration Committee.

David Brock is the Chairman of the Nomination Committee and Hugh Aldous is the Chairman of the Remuneration Committee. Committee meetings are held in conjunction with the Board meetings. All Committees have defined terms of reference and duties.

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chairman, in advance of each Board meeting.

Share capital

The Board has authority to make market purchases of the Company's own Shares. This authority for up to 14.9% of the Company's issued share capital was granted at the last AGM. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM. The Board will also seek authority at the forthcoming AGM to issue new Shares up to an aggregate nominal amount of £3,000,000.

The capital structure of the Company is disclosed in note 12.

As disclosed in the Report of the Directors, there were no Shareholders with a substantial interest in the Company at the year-end or at the date of this report.

Formal Board and Committee meetings

The following table sets out the Directors' attendance at the Board and Committee meetings held during the year.

	Board meetings attended (5 held)	Audit Committee meetings attended (2 held)
David Brock	5	2
Hugh Aldous	5	2
Barry Dean	5	2
Michael Jackson	5	n/a
Nicholas Lewis	5	n/a

There were no Nomination or Remuneration Committee meetings during the year. A Remuneration Committee meeting was held on 15 July 2019.

Audit Committee

The Company has an Audit Committee comprising Hugh Aldous (Chairman), David Brock and Barry Dean. This Committee has defined terms of reference and duties and normally meets twice yearly.

David Brock was considered independent on appointment as Chairman of the Company and is therefore also a member of the Audit Committee.

Audit Committee (continued)

The Audit Committee is responsible for reviewing the Half-Yearly and Annual Reports before they are presented to the Board, the terms of appointment of the Auditor together with their remuneration and a full review of the effectiveness of the Company's internal control and risk management systems.

In particular the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Manager for presentation within the Half-Yearly and Annual Reports.

The Committee also takes into careful consideration comments on matters regarding valuation, revenue recognition and financial statement disclosures arising from the Auditor's Report to the Audit Committee.

As part of its annual review procedures the Committee has obtained sufficient assurance by reviewing audit feedback documentation, holding discussions with the engagement partner and undertaking its own evaluation.

The Audit Committee met twice during the year. The Committee reviewed the internal financial controls and concluded that they remained appropriate.

Internal audit and control

The Committee has considered the need for an internal audit function and concluded that this would not be appropriate for a company of this size and structure. The Committee seeks to satisfy itself that there is a proper system and allocation of the responsibilities for the day-to-day monitoring of financial controls by receiving representations and information either upon request or voluntarily from the Manager. This is covered more fully under Risk Management and Internal Control.

Whistleblowing procedures

As the Company has no staff other than the Directors, there are no procedures in place in respect of whistleblowing. The Audit Committee understands that the Investment and Administration Manager have whistleblowing procedures in place.

External auditor

The Committee reviews and agrees the audit strategy paper, presented by the Auditor in advance of the audit, which sets out the key risk areas to be covered during the audit and confirms their status of independence.

The Committee confirms that the two most significant audit areas, in respect of the financial statements for the year under review, are the carrying value of investments and revenue recognition. The internal controls in place to mitigate these risks are set out in the Risk Management and Internal Control section on the following page.

After taking into consideration comments from the Investment Manager and the Administration Manager regarding the effectiveness of the audit process, immediately before the conclusion of the annual audit the Committee will recommend to the Board that the Auditor either be re-appointed or removed.

Under the Competition and Markets Authority regulations, there is a requirement that an audit tender process be carried out every ten years and mandatory rotation at least every twenty years. The audit of the financial statements for the year ended 31 March 2019 is the twelfth year undertaken by BDO. The mandatory re-tendering rules were applied during 2017 and resulted in the Board taking the decision to reappoint BDO.

Following assurances received from the Managers at completion of the audit for the year ended 31 March 2019, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be re-appointed at the forthcoming AGM.

Non-audit services

Any non-audit services provided by the Auditor are reviewed and approved by the Committee prior to being undertaken (such services being undertaken by a separate department to the Auditor), to ensure that the Auditor's objectivity and independence are safeguarded. In addition, the Auditor confirms their independent status on an annual basis.

The Auditor may perform ad-hoc work at the request of the Board. The Board will agree the maximum expected fee before such work being undertaken, to ensure that auditor objectivity and independence is safeguarded. The Auditor has not provided any non-audit services in respect of the year ended 31 March 2019. The fees paid to the Auditor for the year are disclosed in Note 4 of the Financial Statements.

Nomination Committee

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and to advise generally on issues relating to the Board composition and balance.

Diversity policy

When considering a new appointment to the Board, the Committee's responsibility is to ensure that Shareholders are safeguarded by appointing the most appropriate person for the position, (irrespective of gender) giving due regard to past and present experience in the sectors in which the Company invests. The Company therefore does not have a specific diversity policy in place.

Remuneration Committee

The Committee meets as and when required to review the levels of Directors' remuneration. Details of the specific levels of remuneration to each Director are set out in the Directors' Remuneration Report on page 23, and this is subject to Shareholder approval.

Anti-bribery policy

The Company operates an anti-bribery policy to ensure that it meets its responsibilities arising from the Bribery Act 2010. This policy can be found on the website maintained by the Administration Manager at www.downing.co.uk.

Director tenure policy

Given the size of the Company and the complexity of the VCT regulations, the Board does not impose a limit in respect of the tenure of the Company's non-executive Directors. However, in accordance with Corporate Governance best practice, the policy of the Company requires that all Directors be subject to annual re-election.

Relations with Shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by Shareholders during the course of the year, or to meet with Shareholders if so requested.

In addition to the formal business of the AGM, representatives of the management team and the Board are available to answer any questions a Shareholder may have.

Separate resolutions are proposed at the AGM on each substantially separate issue. Downing LLP collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the AIC Code, proxy votes are announced at the AGM following each vote on a show of hands, except in the event of a poll being called. The notice of the forthcoming AGM and the corresponding proxy form can be found at the end of these financial statements.

The terms of reference of the Committees and the conditions of appointment of non-executive Directors are available to Shareholders upon request.

Financial reporting

The Directors' responsibilities statement for preparing the accounts is set out in the Report of the Directors on page 21 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 33.

Risk management and internal control

The Board has adopted a Corporate Governance and Internal Control Manual ("Manual") for which they are responsible, which has been compiled in order to comply with the AIC Code. The Manual is designed to provide reasonable but not absolute assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks, in line with relevant guidance, on an annual basis and implements additional controls as appropriate.

The Board reviews a Risk Register on an annual basis. The main aspects of internal control in relation to financial reporting by the Board were as follows:

- Review of quarterly reports from the Investment Manager on the portfolio of investments held, including additions and disposals;
- Quarterly reviews by the Board of the Company's investments (including a detailed review of unquoted investment valuations), other assets and liabilities and revenue and expenditure;
- Quarterly reviews of the compliance with the Venture Capital Trust regulations, including a review of the twice-yearly reports from Philip Hare & Associates LLP;
- A separate review of the Annual Report and Half-Yearly report by the Audit Committee, prior to Board approval; and
- A review by the Board of all financial information prior to publication.

The Board is responsible for ensuring that procedures to be followed by the Directors, the Investment Manager and the Administration Manager are in place. Following the conclusions of the Audit Committee, the Board reviews the effectiveness of the Corporate Governance Manual on an annual basis to ensure that the controls remain relevant and were effective throughout the year.

Although the Board is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company (including the Financial Reporting Process) to the following advisers:

Investment Management	Elderstreet Investments Limited
Administration Management	Downing LLP

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 4, the Investment Manager's Report on page 7 and the Strategic Report on pages 16 and 17. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are shown in the Balance Sheet on page 36, the Statement of Cash Flows on page 37 and the Strategic Report on page 18. In addition, note 15 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

The Company has sufficient financial resources at the year end and holds a diversified portfolio of investments. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for a period of at least twelve months from the date of approval of the Annual Report. For this reason, they believe that the Company continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

Compliance statement

Paragraph 9.8.6 of the Listing Rules requires the Board to report on compliance with the provisions of the UK Corporate Governance Code throughout the accounting period. On 14 July 2006, the Financial Reporting Council (FRC) confirmed that member companies who report against the AIC Code and follow the AIC Guide will be meeting their obligations in relation to the 2016 UK Corporate Governance Code and paragraph 9.8.6 of the Listing Rules.

With the exception of the item outlined below, the Company has complied, throughout the accounting year ended 31 March 2019, with the Principles set out in Sections 4 and 5 of the AIC Code of Corporate Governance:

a) Due to the size of the Board and the nature of the Company's business, a formal and rigorous performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. (Principle 7).

By order of the Board

GWhitehouse

Grant Whitehouse
Company Secretary
Draper Esprit VCT plc
Company number: 03424984
Registered office:
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

24 July 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DRAPER ESPRIT VCT PLC

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the Annual Report, set out on pages 16 and 17, that describes the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 16 of the Annual Report, that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 28 of the Annual Report, about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

Key audit matters (continued)

Key audit matter	Audit response
Valuation of unquoted investments *(note 1* on page 38 and note 9 on page 42)*:* There is a high level of estimation uncertainty involved in determining the unquoted investment valuations. The Investment Manager's fee is based on the value of the net assets of the fund, as shown in note 3. As the Investment Manager is responsible for valuing investments for the financial statements, there is a potential risk of overstatement of investment valuations.	We tested a sample of 99% of the unquoted investment portfolio by value of investment holdings. 35% of the unquoted portfolio is based on valuations using cost (where the investment was recently acquired) or the price of a recent investment in the investee company. For such investments, we checked the cost or recent investment price to supporting documentation and considered the Investment Manager's determination of whether there were any reasons why the valuation and the valuation methodology was not appropriate at 31 March 2019. The remaining 65% of the investment portfolio is valued with reference to more subjective techniques including using multiples of revenue or earnings. Our detailed testing for such investments, performed on all investments within our sample comprised: • Forming a determination of whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines obtaining management explanations; • Re-performed the calculation of the multiples-based investment valuations; • Benchmarked key inputs and estimates to independent information and our own research; • Challenged the assumptions inherent in the valuation of unquoted investments by reference to our database and knowledge and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements; • Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation; and • Developed our own point estimates where alternative assumptions could reasonably be applied and considered the overall impact of such sensitisations on the portfolio of investments in determining whether the valuations as a whole are reasonable and unbiased.
Revenue recognition *(note 1 on page 39 and note 2 on page 40):* Revenue consists of loan stock interest, dividends receivable from investee companies and interest earned on cash balances. Revenue recognition is considered to be a significant audit risk as it is the key driver of dividend returns to investors and judgement is required in determining whether accrued income should be regarded as recoverable and therefore appropriately recognised as income.	We recalculated expected income from loan stock investments in line with the underlying agreements and confirmations from investee companies. We traced a sample of interest receipts to bank and have considered the recoverability of loan stock interest with reference to post year end receipts. We also reviewed the recognition and classification of accrued fixed income receipts to ascertain whether they meet the definition of realised income under the Companies Act, or whether it should be recognised as an unrealised capital gain. We reviewed the accounts of unquoted investee companies to identify unrecorded dividends and, where recorded, we agreed dividends into the VCT's financial statements. We reviewed dividend histories from an independent source for quoted investments and recalculated the expected dividend in the accounts. Where appropriate we also agreed actual dividends received to RNS announcements, minutes and bank statements.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated below:

Materiality measure	Purpose	Key considerations and benchmarks	Quantum 2019	Quantum 2018
Financial statement materiality (1.75% of gross investments)	Assessing whether the financial statements as a whole present a true and fair view.	• The value of gross investments • The level of judgement inherent in the valuation • The range of reasonable alternative valuations	£500,000	£360,000
Performance materiality (70% of financial statement materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	• Financial statement materiality • Risk and control environment • History of prior errors (if any)	£350,000	£270,000
Specific materiality: classes of transactions and balances which impact on net realised returns (8% of gross expenditure)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	• Level of net revenue returns to Shareholders	£90,000	£63,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £5,000 (2018: £3,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities, and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement. As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the investment manager made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

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

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting fraud resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

An overview of the scope of our audit (continued)
We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management; and
- review of minutes of board meetings throughout the period.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:
- **Fair, balanced and understandable** [set out on page 21] – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** [set out on pages 25 and 26] – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the AIC Code of Corporate Governance** [set out on page 28] – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the AIC Code of Corporate Governance, containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the AIC Code of Corporate Governance.

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DRAPER ESPRIT VCT PLC (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Company in April 2017 to audit the financial statements for the period ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is twelve years, covering the years ending 31 December 2007 to 31 March 2019.

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

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

Use of our report

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

BDO LLP

***Peter Smith** (Senior Statutory Auditor)*
For and on behalf of BDO LLP, Statutory Auditor
London, UK

24 July 2019

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

INCOME STATEMENT

for the year ended 31 March 2019

	Note	Year ended 31 March 2019 Revenue £'000	Capital £'000	Total £'000	Period ended 31 March 2018 Revenue £'000	Capital £'000	Total £'000
Income	2	634	-	634	673	-	673
Gains/(losses) on investments	9	-	1,817	1,817	-	(1,074)	(1,074)
		634	1,817	2,451	673	(1,074)	(401)
Investment management fees	3	(196)	(588)	(784)	(198)	(596)	(794)
Other expenses	4	(267)	(75)	(342)	(383)	(74)	(457)
Return/(loss) on ordinary activities before tax		171	1,154	1,325	92	(1,744)	(1,652)
Tax on return/(loss)	6	-	-	-	-	-	-
Return/(loss) attributable to equity shareholders, being total comprehensive income for the period	8	171	1,154	1,325	92	(1,744)	(1,652)
Basic and diluted return/(loss) per share	8	0.2p	1.7p	1.9p	0.2p	(3.1p)	(2.9p)

All Revenue and Capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. The total column within the Income Statement represents the Statement of Total Comprehensive Income of the Company prepared in accordance with Financial Reporting Standards ("FRS 102"). The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in February 2018 by the Association of Investment Companies ("AIC SORP").

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2019

	Note	Share capital £'000	Capital Redemption reserve £'000	Share Premium account £'000	Merger reserve £'000	Special reserve £'000	Capital reserve - unrealised £'000	Capital reserve - realised £'000	Revenue reserve £'000	Total £'000
For the 15 month period ended 31 March 2018										
At 1 January 2017		1,852	485	5,452	1,828	2,058	3,161	8,088	336	23,260
Total comprehensive income		-	-	-	-	-	(1,831)	87	92	(1,652)
Transfer between reserves*		-	-	-	-	(572)	4,185	(3,613)	-	-
Transactions with owners										
Issue of new shares		1,390	-	16,602	-	-	-	-	-	17,992
Share issue costs		-	-	-	-	(498)	-	-	-	(498)
Purchase of own shares		(48)	48	-	-	(536)	-	-	-	(536)
Dividends paid	**7**	-	-	-	-	-	-	(1,231)	(615)	(1,846)
At 31 March 2018		3,194	533	22,054	1,828	452	5,515	3,331	(187)	36,720
For the year ended 31 March 2019										
At 1 April 2018										
Total comprehensive income		-	-	-	-	-	1,571	(417)	171	1,325
Transfer between reserves*		-	-	-	-	(2,649)	1,317	1,194	138	-
Cancellation of Share Premium		-	-	(25,625)	-	25,625	-	-	-	-
Transactions with owners										
Issue of new shares		308	-	3,571	-	-	-	-	-	3,879
Share issue costs	**12**	-	-	-	-	(153)	-	-	-	(153)
Purchase of own shares	**12**	(66)	66	-	-	(730)	-	-	-	(730)
Dividends paid	**7**	-	-	-	-	-	-	(1,934)	(138)	(2,072)
At 31 March 2019		3,436	599	-	1,828	22,545	8,403	2,174	(16)	38,969

* A transfer of £1,317,000 (2018: £4,185,000), representing impairment losses during the year, as well as cumulative unrealised gains on investments which were disposed of during the year (2018: period), has been made from the Capital reserve - unrealised to the Capital Reserve – realised. A transfer of £1,194,000 (2018: £572,000), representing realised gains on investment disposals plus capital expenses in the year, has been made from Capital Reserve – realised to the Special reserve. A transfer of £25,625,000 (2018: £nil), from the cancellation of Share premium, has been made from the Share Premium account to the Special reserve.

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
at 31 March 2019

	Note	£'000	31 Mar 2019 £'000	£'000	31 Mar 2018 £'000
Fixed assets					
Investments	9		28,678		20,828
Current assets					
Debtors	10	48		84	
Cash at bank and in hand		10,455		15,987	
		10,503		16,071	
Creditors: amounts falling due within one year	11	(212)		(179)	
Net current assets			10,291		15,892
Net assets			38,969		36,720
Capital and reserves					
Called up share capital	12		3,436		3,194
Capital redemption reserve	13		599		533
Share premium account	13		-		22,054
Merger reserve	13		1,828		1,828
Special reserve	13		22,545		452
Capital reserve – unrealised	13		8,403		5,515
Capital reserve – realised	13		2,174		3,331
Revenue reserve	13		(16)		(187)
Total equity shareholders' funds	14		38,969		36,720
Basic and diluted net asset value per share	14		**56.7p**		**57.5p**

The financial statements on pages 34 to 50 were approved and authorised for issue by the Board of Directors on 24 July 2019 and were signed on its behalf by:

David Brock
Chairman
Company number: 03424984

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2019

	Note	31 Mar 2019 £'000	31 Mar 2018 £'000
Cash flow from operating activities			
Profit/(loss) on ordinary activities before taxation		1,325	(1,652)
(Gains)/losses on investments		(1,817)	1,074
Decrease in debtors		71	258
Decrease in creditors		(5)	26
Net cash outflow from operating activities		(426)	(294)
Cash flow from investing activities			
Purchase of investments		(6,889)	(5,572)
Proceeds from disposal of investments		856	4,439
Net cash outflow from investing activities		(6,033)	(1,133)
Cash flow from financing activities			
Equity dividends paid	**7**	(2,072)	(1,846)
Proceeds from share issue		3,879	17,992
Share issue costs	**12**	(173)	(498)
Purchase of own shares	**12**	(707)	(536)
Net cash inflow from financing activities		927	15,112
Net (decrease)/increase in cash		(5,532)	13,685
Cash and cash equivalents at start of year		15,987	2,302
Cash and cash equivalents at end of year		10,455	15,987
Cash and cash equivalents comprise			
Cash at bank and in hand		10,455	15,987
Total cash and cash equivalents		10,455	15,987

The accompanying notes form an integral part of these financial statements.

NOTES TO THE ACCOUNTS
for the year ended 31 March 2019

1. Accounting policies

General information

Draper Esprit VCT plc ("the Company") is a venture capital trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales. The Company is a premium listed entity on the London Stock Exchange.

Basis of accounting

The Company has prepared its financial statements in accordance with the Financial Reporting Standard 102 ("FRS 102") and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in February 2018 ("SORP") and with the Companies Act 2006.

Presentation of Income Statement

In order to better reflect the activities of a venture capital trust, and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Part 6 of the Income Tax Act 2007.

Judgement in applying accounting policies and key sources of estimation uncertainty

Investments

Investments are designated as "fair value through profit or loss" assets, upon acquisition, due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed, with a view to selling after a period of time, in accordance with the Company's documented Investment Policy. As shown in note 9, the carrying value of investments designated as fair value through profit or loss was £28,678,000 as at 31 March 2019.

Of the Company's assets measured at fair value, it is possible to determine their fair values within a reasonable range of estimates. The fair value of an investment upon acquisition is deemed to be cost. Thereafter, investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV") together with FRS 102 sections 11 and 12.

Listed fixed income investments and investments quoted on AIM and the Main Market are measured using bid prices in accordance with the IPEV.

For unquoted instruments, fair value is established using the IPEV. The valuation methodologies for unquoted entities used by the IPEV to ascertain the fair value of an investment are as follows:

- Price of recent investment;
- Multiples;
- Net assets;
- Discounted cash flows or earnings (of underlying business);
- Discounted cash flows (from the investment); and
- Industry valuation benchmarks.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value as explained in the investment accounting policy above and addressed further in note 9.

Where an investee company has gone into receivership, liquidation, or administration (where there is little likelihood of recovery), the loss on the investment, although not physically disposed of, is treated as being realised. Permanent impairments in the value of investments are deemed to be realised losses and held within the Capital Reserve – Realised.

Gains and losses arising from changes in fair value are included in the Income Statement for the period as a capital item and transaction costs on acquisition or disposal of the investment expensed.

It is not the Company's policy to exercise significant influence over investee companies. Therefore, the results of these companies are not incorporated in the Income Statement, except to the extent of any income accrued. This is in accordance with the SORP and FRS 102 sections 14 and 15 that do not require portfolio investments to be accounted for using the equity method of accounting.

1. Accounting policies (continued)

Judgement in applying accounting policies and key sources of estimation uncertainty

Investments (continued)

The key source of estimation uncertainty is the selection of a multiple to be applied when valuing unquoted companies. Whilst there is a degree of subjectivity in the process of selecting a multiple, the Manager undertakes a rigorous internal valuations process which involves challenging all relevant valuation inputs. The Board then challenges the proposed valuations once this process is complete. Sensitivity to valuation inputs is considered in note 15.

Income

Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established, normally the ex-dividend date.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection.

Where previously accrued income is considered unrecoverable a corresponding bad debt expense is recognised.

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 presented as revenue items except as follows:

- Expenses which are incidental to the acquisition of an investment are deducted as a capital item.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- 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. The Company has adopted the policy of allocating investment manager's fees, 75% to capital and 25% to revenue as permitted by the SORP. The allocation is in line with the Board's expectation of long term returns from the Company's investments in the form of capital gains and income respectively.
- Performance incentive fees arising are treated as a capital item.

Taxation

The tax effects on different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate using the Company's effective rate of tax for the accounting period.

Due to the Company's status as a Venture Capital Trust and the continued intention to meet the conditions required to comply with Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arise.

Deferred taxation is not discounted and is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

A deferred tax asset is only recognised to the extent that it is probable there will be taxable profits in the future against which the asset can be offset.

Other debtors and other creditors

Other debtors (including accrued income) and other creditors are included within the accounts at amortised cost.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with an original maturity of three months or less.

Dividends

Dividends payable are recognised as distributions in the financial statements when the company's liability to make payment has been established, typically once declared by the Board or approved by Shareholders at the AGM.

1. Accounting policies (continued)

Issue costs

Issue costs in relation to the shares issued are deducted from the special reserve.

Reportable segments

The Company has one reportable segment as the sole activity of the Company is to operate as a VCT and all of the Company's resources are allocated to this activity.

2. Income

	Year to 31 Mar 2019 £'000	Period to 31 Mar 2018 £'000
Income from investments		
Loan note interest	37	285
Dividend income	498	341
Interest on fixed income securities	-	2
	535	628
Other income		
Deposit interest	99	45
	634	673

3. Investment management fees

	Year to 31 Mar 2019 £'000	Period to 31 Mar 2018 £'000
Investment management fees	784	794
	784	794

Performance incentive fees are payable to the Investment Manager when the Company has paid and/or proposed dividends totalling at least 3.5p per share in respect of any one financial year and when the NAV, before the dividends, is above 70.6p per share. Should the test be met, the fee is calculated at a rate of 20% of the dividend per share in excess of 3.5p and is based on the shares in issue at the year end. The performance incentive fee will also have a catch-up if the dividend element of the test is not met. As the test was not met for the year ended 31 March 2019, no performance fees were payable at the balance sheet date (period ended 31 March 2018: £nil).

4. Other expenses

	Year to 31 Mar 2019 £'000	Period to 31 Mar 2018 £'000
Administration services	50	63
Directors' remuneration	88	109
Social security costs	1	8
Auditor's remuneration for statutory audit	22	26
Auditor's remuneration for non-audit services (corporation tax services)	-	-
Corporation tax services	2	4
Trail commission	16	63
Provision for doubtful income	74	74
Other running costs	89	110
	342	457

The annual running costs of the Company are subject to a cap at 3.5% of the Company's weighted net asset value during the year. The Manager's fees are restricted as appropriate should this cap be breached.

5. Directors' remuneration

Details of remuneration of the Directors (excluding employers' NI) can be found in the Directors' Remuneration Report on page 23.

The Company had no employees other than the Directors during the year and accordingly the Directors are considered to be the Key Management Personnel of the Company. No other emoluments or pension contributions were paid by the Company to, or on behalf of, any Directors.

6. Taxation on ordinary activities

	Year to 31 Mar 2019 £'000	Period to 31 Mar 2018 £'000
(a) Tax charge for the year (2018: period)		
Current year		
UK corporation tax at 19.0% (period ended 31 March 2018: 19.2%)	-	-
Charged to capital expenses	-	-
	-	-
(b) Factors affecting tax charge for the year (2018: period)		
Gain/(loss) on ordinary activities before tax	1,325	(1,652)
Tax charge calculated on gain/(loss) on ordinary activities before tax at the applicable rate of 19.0% (period ended 31 March 2018: 19.2%)	252	(317)
(Gains)/losses on investments	(345)	206
UK dividend income	(95)	(65)
Expenses disallowed for taxation purposes	14	14
Excess management fees carried forward	174	162
Tax charge	-	-

(c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £6.3 million as at 31 March 2019 (2018: £5.3 million). The associated deferred tax asset at a rate of 17%, of £915,000 (2018: £897,000), has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against taxable profits in the foreseeable future.

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 on the revaluation or disposal of investments.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2019

7. Dividends

		Year ended 31 March 2019			Period ended 31 March 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividends paid in year							
2019 Interim	1.5p	138	895	1,033	-	-	-
2018 Final	1.5p	-	1,039	1,039	-	-	-
2018 Interim	1.5p	-	-	-	311	623	934
2016 Final	1.5p	-	-	-	304	608	912
		138	1,934	2,072	615	1,231	1,846
Forthcoming dividends							
2019 Final	1.5p	-	1,209	1,209	-	-	-
2018 Final	1.5p	-	-	-	210	841	1,051
		-	1,209	1,209	210	841	1,051

8. Basic and diluted return per share

	Year to 31 Mar 2019	Period to 31 Mar 2018
Basic and diluted return/(loss) per share	1.9p	(2.9p)
Return per share based on:		
Net revenue return for the financial year (£'000)	171	92
Net capital gains/(losses) for the financial year (£'000)	1,154	(1,744)
Total Return/(loss) for the financial year (£'000)	1,325	(1,652)
Weighted average number of shares in issue	69,241,683	57,026,412

As the Company has not issued any convertible securities or share options, there is no dilutive effect on return per share. The return per share disclosed, therefore, represents both basic and diluted return per share.

9. Investments

	Quoted investments £'000	Unquoted investments £'000	Total £'000
Opening cost at 1 April 2018	5,708	17,392	23,100
Impairment losses at 1 April 2018	(1,599)	(5,637)	(7,236)
Unrealised gains at 1 April 2018	1,404	3,560	4,964
Opening fair value at 1 April 2018	5,513	15,315	20,828
Movements in the year			
Purchased at cost	553	6,336	6,889
Disposal proceeds	(633)	(223)	(856)
Realised gains in the income statement	57	189	246
Unrealised gains in the income statement	154	1,417	1,571
Closing fair value at 31 March 2019	5,644	23,034	28,678
Retained investments at 31 March 2019			
Closing cost at 31 March 2019	6,147	23,324	29,471
Impairment losses at 31 March 2019	(3,078)	(5,567)	(8,645)
Unrealised gains at 31 March 2019	2,575	5,277	7,852
Closing fair value	5,644	23,034	28,678

9. Investments (continued)

Costs of acquisition of investments acquired during the year were nil (2018: nil) and transaction costs incurred in respect of investment disposals during the year were nil (2018: nil). A schedule disclosing the additions and disposals during the year is shown on page 10.

The Company has categorised its financial instruments using the fair value hierarchy as follows:

Level 1 Reflects financial instruments quoted in an active market (fixed interest investments, and investments in shares quoted on either the Main or AIM Markets);
Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and
Level 3 Reflects financial instruments that use valuation techniques that are not based on observable market data (unquoted equity investments and loan note investments).

	31 March 2019				31 March 2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
AIM quoted shares	5,300	344	-	5,644	5,332	181	-	5,513
Loan notes	-	-	808	808	-	-	1,230	1,230
Unquoted shares	-	-	22,226	22,226	-	-	14,085	14,085
	5,300	344	23,034	28,678	5,332	181	15,315	20,828

Reconciliation of fair value for Level 3 financial instruments held at the year end:

	Unquoted shares £'000	Loan notes £'000	Total £'000
Balance at 1 April 2018	14,085	1,230	15,315
Movements in the income statement:			
Unrealised gains/(losses) in the income statement	1,839	(422)	1,417
Realised gains in the income statement	189	-	189
	2,028	-	1,606
Purchased at cost	6,336	-	6,336
Disposal proceeds	(223)	-	(223)
Balance at 31 March 2019	22,226	808	23,034

Level 3 unquoted shares and loan notes are valued in accordance with the IPEV as follows: -

Valuation methodology	2019 £'000
Price of recent investment	8,237
Multiple	14,797
	23,034

Changing one or more of the inputs to reasonable possible alternative valuation assumptions could result in a significant change in the fair value of the Level 3 investments. There is an element of judgement in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the Company's investments.

The 2018 IPEV guidelines will be in full effect for the year ended 31 March 2020. However, in preparation for the new guidelines, the Board and Investment Manager have separately assessed the values of all investments for which the valuation basis is the price of the recent investment. The Board and Investment Manager have ensured that the valuations of such investments are supported by the respective performance metrics of each business. The Board is therefore satisfied the carrying values of these investments represent the best indication of fair value as at 31 March 2019.

9. Investments (continued)

The Board and the Investment Manager believe that the valuations as at 31 March 2019 reflect the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Valuations are subject to fluctuations in market conditions and the sensitivity of the Company to such changes is shown within note 15.

Significant interests

Details of shareholdings in those companies where the Company's holding, as at 31 March 2019, represents greater than 20% of the nominal value of any class of the allotted shares in the portfolio company, are disclosed below. All of the companies named are incorporated in England and Wales. The percentage holding in each class does not reflect the percentage voting rights in the Company as a whole.

Company	Registered office	Class of shares	Number held	Proportion of class held	Capital and reserves	Profit/(loss) for the year
Baldwin & Francis Limited	S4 7UR	Ordinary 'A'	79,999	100.0%	(£1.4m)	*
		Ordinary 'B'	26,666	22.2%		
Fords Packaging Topco Limited	MK42 7SH	Ordinary	77,706	42.2%	£3.6m	£1.1m
		Ordinary 'A'	23,394	100.0%		
Lyalvale Express Limited	WS13 8XA	Ordinary 'A'	95,210	100.0%	£9.4m	£1.0m
Macranet Limited	GU14 7JF	Ordinary	38,195	3.0%	£1.4m	*
		Ordinary 'A'	421,104	41.6%		
The National Solicitors Network Limited	SW6 4QP	Ordinary	194,709	24.7%	(£1.4m)	£0.03m
The QSS Group Limited	DE1 1UQ	Ordinary	125,329	44.4%	(£1.5m)	(£0.05m)

* Profit figures not publicly available.

10. Debtors

	31 Mar 2019 £'000	31 Mar 2018 £'000
Deferred consideration	-	74
Other debtors	43	5
Prepayments and accrued income	5	5
	48	84

11. Creditors: amounts falling due within one year

	31 Mar 2019 £'000	31 Mar 2018 £'000
Other creditors	131	94
Other taxes and social security	10	10
Accruals and deferred income	71	75
	212	179

12. Share capital

	31 Mar 2019 £'000	31 Mar 2018 £'000
Issued, allotted, called up and fully paid:		
68,719,111 (2018: 63,884,554) Ordinary Shares of 5p each	3,436	3,194

During the year the Company allotted 6,159,557 Ordinary Shares of 5p each ("Ordinary Shares") under an Offer for Subscription which launched in December 2017, at an average price of 62.98p per share. The gross proceeds of the Offer were £3.9 million with issue costs in respect of the Offer amounting to £153,000.

During the year, the Company purchased 1,325,000 shares for cancellation for an aggregate consideration of £730,000 at an average price of 55.07p per share (approximately equal to a 6.3% discount to the most recently published NAV at the time of purchase) and representing 2.1% of the issued share capital in issue at 1 April 2018.

12. Share capital (continued)

Management of capital

The Company defines capital as Shareholders funds, and is managed in accordance with its Investment Policy, as shown in the Strategic Report on page 18, in pursuit of its principal investment objectives as stated on page 3. The Company has the authority to buy back shares as described in the Strategic Report on page 17. 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, so that it can continue to provide an adequate return to Shareholders by allocating its capital to assets commensurately with the level of risk.

By its nature, at least 70% (rising to 80% as of 1 April 2020) of the Company's capital, (as measured under the tax legislation) is, must be, and remain invested in the relatively high-risk asset class of small UK companies, within three years of that capital being subscribed. The Company accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

Although, as the Investment Policy implies, the Board would consider levels of gearing, there are no current plans to do so. It regards the net assets of the Company as the Company's capital, as the levels of liabilities are small and the management of them is not directly related to managing the return to Shareholders. There has been no change in this approach from the previous year.

Fundraising

The Company launched a new Offer for subscription on 11 January 2019, which sought to raise up to a maximum of £7.0 million. The Offer closed on 10 May 2019 and 11,902,047 new shares were issued up to this date, at an average price of 58.67p per share. The Shares issued under the 2018 Offer increased the number of shares in issue by 17.3%, to 80,621,158 Ordinary shares.

13. Reserves

Distributable reserves are calculated as follows:

	31 Mar 2019 £'000	31 Mar 2018 £'000
Special reserve	22,545	452
Capital reserve – realised	2,174	3,331
Revenue reserve	(16)	(187)
Merger reserve – distributable element	423	423
Capital Reserve – unrealised: excluding unrealised unquoted gains	253	(788)
	25,379	3,231

Capital redemption reserve

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

Share premium account

This reserve accounts for the difference between the price paid for shares and the nominal value of the shares, less transfers to the other distributable reserves.

Merger reserve

This reserve accounts for the premium arising on the issue of the shares to acquire Elderstreet Millennium VCT plc in 2007.

13. Reserves (continued)

Special reserve

The Special reserve is available to the Company to enable the purchase of its own shares in the market without affecting its ability to pay capital distributions, and also allows the Company to write back realised capital losses arising on disposals and impairments. Share issue costs are also charged to the Special reserve.

Capital reserve – unrealised

Increases and decreases in the valuation of investments held at the year-end against cost are included in this reserve.

Capital reserve – realised

The following are disclosed in this reserve:
• gains and losses compared to cost on the realisation of investments;
• expenses, together with the related taxation effect, charged in accordance with the accounting policies; and
• dividends paid to equity holders.

Revenue reserve

This reserve accounts for movements from the revenue column of the Income Statement, the payment of dividends and other non-capital realised movements.

14. Basic and diluted net asset value per share

	Number in issue as at 31 March		31 March 2019 Net asset value		31 March 2018 Net asset value	
	2019	2018	Pence per share	£'000	Pence per share	£'000
Ordinary Shares	68,719,111	63,884,554	56.7	38,969	57.5	36,720

As the Company has not issued any convertible securities or share options, there is no dilutive effect on net asset value per share. The net asset value per share disclosed therefore represents both basic and diluted net asset value per share.

15. Financial instruments

The Company's financial instruments comprise investments held at fair value through profit and loss, being equity and loan stock investments in quoted companies and unquoted companies; loans and receivables, being cash deposits and short-term debtors; and financial liabilities, being creditors arising from its operations. The main purpose of these financial instruments is to generate cash flow, revenue and capital appreciation for the Company's operations. The Company has no gearing or other financial liabilities apart from short-term creditors and does not use any derivatives.

The fair value of investments is determined using the detailed accounting policy as shown in note 1. The composition of the investments is set out in note 9. Loans and receivables and other financial liabilities, as set out in the Balance Sheet, are stated at amortised cost, which the Directors consider is equivalent to fair value.

The Company's investment activities expose the Company to a number of risks associated with financial instruments and the sectors in which the Company invests. The principal financial risks arising from the Company's operations are:

- Market risks;
- Credit risk; and
- Liquidity risk.

The Board regularly reviews these risks and the policies in place for managing them. There have been no significant changes to the nature of the risks that the Company is exposed to over the year and there have also been no significant changes to the policies for managing those risks during the year.

The risk management policies used by the Company in respect of the principal financial risks and a review of the financial instruments held at the year-end are provided on the next page.

15. Financial instruments (continued)

Market risks

As a VCT, the Company is exposed to investment risks in the form of potential losses that may arise on the investments it holds in accordance with its Investment Policy. The management of these investment risks is a fundamental part of investment activities undertaken by the Investment Manager and overseen by the Board. The Manager monitors investments through regular contact with management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Manager to manage the investment risk in respect of individual investments. Investment risk is also mitigated by holding a diversified portfolio spread across various business sectors and asset classes.

The key investment risks to which the Company is exposed are:

- Investment price risk; and
- Interest rate risk.

The Company has undertaken sensitivity analysis on its financial instruments, split into the relevant component parts, taking into consideration the economic climate at the time of review in order to ascertain the appropriate risk allocation.

Investment price risk

Investment price risk arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through investment price movements in respect of quoted investments, and changes in the fair value of unquoted investments that it holds.

Quoted investments

The Company's sensitivity to fluctuations in the share prices of its quoted equity investments (FTSE and AIM quoted but excluding fixed interest investments) is summarised below. A 50% movement in the share price in each of the quoted investments held by the Company which is considered to be a reasonable maximum movement in a year would have an effect as follows:

Sensitivity			**31 Mar 2019** 50% movement			**31 Mar 2018** 50% movement
	Risk exposure £'000	**Impact on net assets £'000**	**Impact on NAV per share pence**	**Risk exposure £'000**	**Impact on net assets £'000**	**Impact on NAV per share pence**
Quoted stocks	5,644	2,822	4.1	5,513	2,757	4.3

Unquoted investments

As many of the Company's unquoted investments are valued using earnings multiples of comparable companies or sectors, a change in the relevant market sectors could impact on the valuation of the equity and preference shares held in the unquoted portfolio. Due to the nature of the security held, the relatively low residual term and no significant changes in risk premium, the loan notes in the investee companies would not be immediately impacted, nor would those investments held at price of recent investment. Accordingly, the impact of the 10% movement in valuation on the unquoted shares' portfolio valued using the earnings multiples method would have the following effect on the Company:

Sensitivity			**31 Mar 2019** 10% movement			**31 Mar 2018** 10% movement
	Risk exposure £'000	**Impact on net assets £'000**	**Impact on NAV per share pence**	**Risk exposure £'000**	**Impact on net assets £'000**	**Impact on NAV per share pence**
Unquoted shares	22,226	2,223	3.2	14,085	1,409	2.2

In each case, the impact of such changes on the return for the year would be the same as that on net assets and NAV per share.

15. Financial instruments (continued)

Interest rate risk

The Company accepts exposure to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates. The Company receives interest on its cash deposits at a rate agreed with its bankers and on liquidity funds at rates based on the underlying investments. Investments in loan notes and fixed interest investments attract interest predominately at fixed rates. A summary of the interest rate profile of the Company's investments is shown below.

Interest rate risk profile of financial assets and financial liabilities

There are three levels of interest which are attributable to the financial instruments as follows:

- "Fixed rate" assets represent investments with predetermined yield targets and comprise fixed interest and loan note investments.
- "Floating rate" assets predominantly bear interest at rates linked to Bank of England base rate and comprise cash at bank and Cash Trust investments.
- "No interest rate" assets do not attract interest and comprise equity investments, loans and receivables (excluding cash at bank) and other financial liabilities.

	Average interest rate	Average period until maturity	31 Mar 2019 £'000	31 Mar 2018 £'000
Fixed rate	1.0%	1,727 days	808	1,230
Floating rate	0.3%		10,455	15,987
No interest rate		1 day*	27,706	19,503
			38,969	36,720

* In respect of non-interest-bearing stock only

The Company monitors the level of income received from fixed, floating and non-interest rate assets and, if appropriate, may make adjustments to the allocation between the categories, in particular, should this be required to ensure compliance with the VCT regulations.

The Bank of England base rate increased from 0.5% per annum to 0.75% per annum in August 2018. Any potential change in the base rate, at the current level, would have an immaterial impact on the net assets and Total Return of the Company.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the Company made under that instrument. The Company is exposed to credit risk through its holdings of loan notes in investee companies, investments in fixed income securities, cash deposits and debtors.

The Company's financial assets that are exposed to credit risk are summarised as follows:

	31 Mar 2019 £'000	31 Mar 2018 £'000
Fair value through profit or loss assets		
Investments in loan notes	808	1,230
Loans and receivables		
Cash and cash equivalents	10,455	15,987
Deferred consideration	-	74
	11,263	17,291

15. Financial instruments (continued)

Credit risk (continued)

The Manager manages credit risk in respect of loan notes with a similar approach as described under interest rate risk on the previous page. In addition, the credit risk is partially mitigated by registering floating charges over the assets of certain investee companies. The strength of this security in each case is dependent on the nature of the investee company's business and its identifiable assets. The level of security is a key means of managing credit risk. Similarly, the management of credit risk associated interest, dividends and other receivables is covered within the investment management procedures.

Cash is mainly held at Bank of Scotland plc, with a balance also maintained at Royal Bank of Scotland plc, both of which are A-rated financial institutions. Consequently, the Directors consider that the risk profile associated with cash deposits is low.

There have been no changes in fair value during the year that can be directly attributable to changes in credit risk.

As at 31 March 2019, of the investments in loan notes shown below, £nil (31 March 2018: £nil) relates to the principal of loan notes where, although the principal remains within term, the investee company is not fully servicing the interest obligations under the loan note and is in arrears.

As at 31 March 2019 there were no loan stock balances whereby the principal amount had passed its maturity date (31 March 2018: £nil).

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. The Company normally has a relatively low level of creditors (31 March 2019: £212,000, 31 March 2018: £179,000) and has no borrowings. The Company always holds sufficient levels of funds as cash and readily realisable investments in order to meet expenses and other cash outflows as they arise. For these reasons, the Board believes that the Company's exposure to liquidity risk is minimal.

The Company's liquidity risk is managed by the Investment Manager, in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

The carrying value of loan note investments held at fair value through the profit and loss account at 31 March 2019, as analysed by expected maturity date, is as follows:

As at 31 March 2019	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Over 5 years £'000	Passed maturity date £'000	Total £'000
Fully performing loan notes	-	300	-	-	508	-	808
Past due loan stock	-	-	-	-	-	-	-
	-	300	-	-	508	-	808

As at 31 March 2018	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	Over 5 years £'000	Passed maturity date £'000	Total £'000
Fully performing loan notes	-	508	722	-	-	-	1,230
Past due loan stock	-	-	-	-	-	-	-
	-	508	722	-	-	-	1,230

15. Financial instruments (continued)

Financial liabilities

The Company has no financial liabilities other than the creditors disclosed within the balance sheet (2018: none).

Currency exposure

As at 31 March 2019, the Company had no foreign investments (2018: none).

Borrowing facilities

The Company has no committed borrowing facilities as at 31 March 2019 (2018: none).

16. Contingencies, guarantees and financial commitments

The Company had no commitments, contingencies or guarantees at the Balance Sheet date.

17. Related party transactions

Michael Jackson is a Director of Elderstreet Investments Limited which provides investment management services to the Company. During the year, £784,000 (2018: £794,000 for the 15-month period) was due in respect of these services. No performance incentive fees were due to Elderstreet Investments Limited in respect of the year under review (2018: £nil for the period). As at 31 March 2019, £nil (2018: £nil) was outstanding and payable.

Nicholas Lewis is a partner of Downing LLP, which provides administration services to the Company. During the year, £50,000 (2018: £62,500 for the 15-month period) was due to Downing LLP in respect of these services. As at 31 March 2019, £nil (2018: £nil) was outstanding and payable.

During 2015, as a result of changes to the VCT rules, the Company was unable to convert its existing loans in Uvenco UK plc (formerly SnackTime plc). Following advice from specialist VCT advisors, the Company sold the loans to the Investment Manager, who converted the loans into equity. Under the terms of the transaction, the Company is due sums equal to 75% of any disposal proceeds that the Investment manager may receive on the shares. During the year the market value of those shares decreased to nil and accordingly the debtor due from the Investment Manager was reduced by £74,447 to nil.

18. Controlling party

In the opinion of the Directors there is no immediate or ultimate controlling party.

19. Events after the end of the reporting period

Since the year end, the Company allotted 11,902,047 Ordinary Shares of 5p each at an average price of 58.67p per Ordinary Share under the terms of the Offer for Subscription dated January 2019. The aggregate consideration for the shares was £7.0 million.

NOTICE OF THE ANNUAL GENERAL MEETING
of Draper Esprit VCT plc

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Draper Esprit VCT plc will be held at 20 Garrick Street, London WC2E 9BT at 11:00 a.m. on 24 September 2019 for the transaction of the following business:

As **Ordinary Business**, to consider and, if thought fit, pass the following resolutions which will be proposed as **Ordinary Resolutions**:

1. To receive and adopt the Report of the Directors' and Accounts of the Company for the year ended 31 March 2019, together with the Report of the Auditor thereon.

2. To approve the Directors' Remuneration Report in respect of the year ended 31 March 2019.

3. To approve the payment of a final dividend of 1.5p per share.

4. To re-appoint BDO LLP as Auditor of the Company, to hold office until the conclusion of the next Annual General Meeting, at which accounts of the Company are presented, and to authorise the Directors to determine their remuneration.

5. To re-elect as Director, Hugh Aldous, who retires and, being eligible, offers himself for re-election.

6. To re-elect as Director, David Brock, who retires and, being eligible, offers himself for re-election.

7. To re-elect as Director, Barry Dean, who retires and, being eligible, offers himself for re-election.

8. To re-elect as Director, Michael Jackson, who retires and, being eligible, offers himself for re-election.

9. To re-elect as Director, Nicholas Lewis, who retires and, being eligible, offers himself for re-election.

As **Special Business**, to consider and, if thought fit, pass the following resolutions:

Ordinary Resolution

10. 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 shares or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £3,000,000 during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a 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 shares to be allotted or rights to be granted to subscribe for or to convert any security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with Section 551 of the Act be and are hereby revoked, provided that such revocation shall not have retrospective effect.

Special Resolutions

11. That, conditional upon the passing of Resolution 10 set out in this Notice, in substitution for any existing power under Section 570 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered, during the period commencing on the passing of this special resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution 10 above, as if Section 561 of the Act did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

NOTICE OF THE ANNUAL GENERAL MEETING
of Draper Esprit VCT plc (continued)

12. That, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of Ordinary Shares of 5p each in the capital of the Company ("Ordinary Shares") provided that:

    (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 12,012,553 Ordinary Shares, representing approximately 14.9% of the present issued capital of the Company;

    (ii) the minimum price which may be paid for an Ordinary Share is 5p, exclusive of all expenses;

    (iii) the maximum price which may be paid for an Ordinary Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and

    (iv) the Company may validly make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Ordinary Shares in pursuance of any such contract;

    and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

By order of the Board

Grant Whitehouse
Company Secretary
Draper Esprit VCT plc
Company number: 03424984
Registered office:
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

24 July 2019

Note: Information regarding the Annual General Meeting, including the information required by section 311A of the Companies Act 2006 (the "Act"), is available from www.downing.co.uk.

NOTICE OF THE ANNUAL GENERAL MEETING

of Draper Esprit VCT plc (continued)

Notes:

(a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:

- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

(b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD or electronically to proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.

(c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:

- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD. 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.
- by sending an e-mail to proxy@downing.co.uk.

In either case, the revocation notice must be received by Downing LLP before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.

(d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.

(e) Copies of the Directors' Letters of Appointment and the Register of Directors' interests in the Ordinary Shares of the Company, will be available for inspection at the registered office of the Company during usual business hours on any weekday (excluding weekends and public holidays) from the date of this notice, until the end of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

(f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11:00 a.m. on 20 September 2019 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 11:00 a.m. on 20 September 2019 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

(g) As at 9:00 a.m. on 24 July 2019, the Company's issued share capital comprised 80,621,158 Ordinary Shares and the total number of voting rights in the Company was 80,621,158. The website referred to above will include information on the number of shares and voting rights.

(h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("Nominated Person"):

- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

(i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

(j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

(k) Except as provided above, members who have general queries about the Annual General Meeting should write to the Chairman at the registered office set out on page 1.

(l) Members may not use any electronic address provided either in this notice of the Annual General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

DRAPER ESPRIT VCT PLC
FORM OF PROXY

For use at the Annual General Meeting of the above-named Company to be held on 24 September 2019 at 20 Garrick Street, London WC2E 9BT at 11:00 a.m.

I/We*.. (in BLOCK CAPITALS please)

of ....

being the holder(s)* of Ordinary Shares of 5p in the capital of the above-named Company, hereby appoint the Chairman of the meeting (see note 1)

or ....

of ....

as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 20 Garrick Street, London WC2E 9BT on 24 September 2019 or at any adjournment thereof.

I/We* desire to vote on the resolutions as indicated in the appropriate column below. Please indicate with an "X" how you wish your vote to be cast.

Details of the resolutions are set out in the Notice of the Annual General Meeting.

ORDINARY BUSINESS	FOR	AGAINST	WITHHELD
1. To receive and adopt the Directors' Report and Accounts	☐	☐	☐
2. To approve the Directors' Remuneration Report	☐	☐	☐
3. To approve the payment of a final dividend of 1.5p per share	☐	☐	☐
4. To re-appoint BDO LLP as the Auditor and authorise the Directors to determine their remuneration	☐	☐	☐
5. To re-elect Hugh Aldous as a Director	☐	☐	☐
6. To re-elect David Brock as a Director	☐	☐	☐
7. To re-elect Barry Dean as a Director	☐	☐	☐
8. To re-elect Michael Jackson as a Director	☐	☐	☐
9. To re-elect Nicholas Lewis as a Director	☐	☐	☐
SPECIAL BUSINESS			
10. To authorise the Company to allot shares	☐	☐	☐
11. To authorise the Company to disapply pre-emption rights	☐	☐	☐
12. To authorise the Company to make market purchases of its shares	☐	☐	☐

Dated this .... day of 2019

Signature(s) ..../..

*Delete as appropriate

PLEASE RETURN TO DOWNING LLP IN THE PRE-PAID ENVELOPE PROVIDED, OR E-MAIL A SCANNED COPY OF THE SIGNED FORM TO PROXY@DOWNING.CO.UK

Notes:

1. Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointer. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.

2. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.

3. Any alterations to the Form of Proxy should be initialled.

4. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, 6th Floor, St. Magnus House, 3 Lower Thames Street, London EC3R 6HD or electronically to proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.

5. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised on that behalf.

6. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.

7. The completion and return of this Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.

8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

Draper Esprit

Draper Esprit VCT London HQ
20 Garrick Street
London, WC2E 9BT
Tel: +44 (0)20 7931 8800

draperesprit.com