Venture Capital Reinvented.

Draper Esprit VCT plc
Report & Accounts for the year ended 31 March 2020

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 (31 July 2020):	37.5p per share

Financial calendar

22 September 2020	Annual General Meeting
23 October 2020	Payment of final dividend
December 2020	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. 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. 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 the VCT's website at www.draperespritvct.com and www.draperesprit.com/investors.

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 "Shareholders and Investors" and then "Shareholder Services UK".

CONTENTS

COMPANY INFORMATION

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David Brock (Chairman)
Hugh Aldous (Senior Independent Director)
Barry Dean
Michael Jackson
Nicholas Lewis
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FINANCIAL SUMMARY

	31 Mar 2020 pence	31 Mar 2019 pence
Net asset value per share ("NAV")^	46.0	56.7
Cumulative dividends paid since launch*	105.0	102.0
Total Return (NAV plus cumulative dividends paid per share)^	151.0	158.7

*Key Performance Indicator ^Alternative Performance Measure (see page 16)

Dividends in respect of financial year ended 31 March 2020		
Interim dividend paid per share	1.5	1.5
Final dividend per share (payable on 23 October 2020)	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 2020 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	89.5	17.5	7.0	33.8	41.7
Feb-Aug 1998	20	105.0	46.0	51.0	88.7	109.4
Mar-Jun 2005 (C Share issue)	40	71.5	30.8	2.2	70.4	88.9
Apr 2006	40	109.6	66.7	76.3	193.9	233.9
Apr 2008	30	74.5	50.0	24.4	77.7	N/A
Jun 2008	30	71.1	50.3	21.4	73.4	N/A
Apr 2009	30	83.0	61.5	44.5	106.5	N/A
May 2009	30	81.7	61.5	43.2	104.6	N/A
Apr-May 2010	30	73.4	57.2	30.6	86.5	N/A
Mar 2011	30	67.8	56.7	24.5	77.9	N/A
Apr-May 2011	30	70.5	58.9	29.4	84.9	N/A
Apr-May 2012	30	72.1	65.0	37.2	95.9	N/A
Nov 2012	30	76.2	74.6	50.8	115.4	N/A
Apr 2013	30	69.6	68.1	37.7	96.8	N/A
Dec 2014	30	35.2	67.5	2.7	46.7	N/A
Mar-Apr 2015	30	33.3	63.9	(2.8)	38.9	N/A
Apr 2016	30	19.7	64.8	(15.5)	20.7	N/A
Apr 2017	30	14.2	72.6	(13.2)	24.0	N/A
May 2017	30	14.2	72.4	(13.4)	23.7	N/A
Aug 2017	30	12.1	74.3	(13.6)	23.4	N/A
Oct 2017	30	9.9	76.1	(14.0)	22.9	N/A
Nov 2017	30	9.9	75.9	(14.1)	22.7	N/A
Apr 2018	30	9.9	76.1	(13.9)	22.9	N/A
May 2018	30	9.8	75.3	(14.9)	21.6	N/A
April 2019	30	5.0	76.1	(18.9)	15.8	N/A
May 2019	30	4.9	75.3	(19.8)	14.5	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 Hargreave Hale AIM VCT plc, Episys Group plc, Primrose Ltd, Honest Brew Ltd and non-executive director of Puma 12 VCT plc.

Hugh Aldous is chairman of Downing Strategic Micro-Cap Investment Trust plc and of SPL Guernsey ICC Ltd. He was a director of Innospec Inc (NASDAQ) from 2005 to 2020 and 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 24 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 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 write this statement during an unprecedented period. The coronavirus pandemic has affected everybody and its full impact on the UK and global economies and society as a whole will not be clear for some time.

The Company's focus has been to invest in knowledge-intensive growth technology businesses since the investment arrangements with Draper Esprit were put in place several years ago. These businesses are typically young and require significant support as they develop, but whereas the pandemic has created challenges for some portfolio companies, some of the businesses are well funded and positioned to take advantage of the changes that may arise from the pandemic. Economics are going to change. Draper Esprit's probing for new investments may well meet those changes.

With the Company's financial year end falling on 31 March 2020, these results incorporate investment valuations which take account of our estimate of the impact of the pandemic but benefit from the knowledge of events which have taken place after the year end where, for example, some portfolio companies have completed further funding rounds which has provided reassurance for their future prospects.

Net asset value and results

As at 31 March 2020, the Company's Net Asset Value per share ("NAV") stood at 46.0p, representing a decrease of 7.7p (13.6%) 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 151.0p, 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 loss on ordinary activities after taxation for the year was £6.3 million (2019: £1.3 million profit), comprising a revenue return of £7,000 (2019: £171,000) and a capital loss of £6.3 million (2019: £1.2 million profit).

Venture capital investments

Portfolio activity

During the year, the Company made five new investments and four follow-on investments totalling £5.2 million. A small number of realisations also occurred during the year. These included a successful exit from Podpoint Holdings Limited at 2.2 times original cost. In total, realisations generated proceeds of £2.2 million and a gain for the year of £120,000.

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

Investment valuations

At the year end, the Company held a portfolio of 24 active investments valued at £26.0 million.

The split of the investment portfolio between growth technology investments introduced by Draper Esprit and the older legacy investments is shown below:

	Portfolio split as at 31 March 2020			
	Growth Technology £'000	Legacy £'000	Cash £'000	Total £'000
Cost	14,830	18,689	8,422	41,941
Gains/(losses)	(950)	(6,474)	-	(7,424)
Valuation	13,880	12,215	8,422	34,517
Percentage of portfolio	40.2%	35.4%	24.4%	100.0%

The newer growth technology investments are now the largest part of the portfolio. This proportion will continue to grow as further funds are raised and invested, and when there are further realisations from the legacy portfolio.

The Board has reviewed the investment valuations at the year end and, in drawing its conclusions, has given consideration to the impact of the pandemic and its likely aftermath.

The largest adjustments to the valuations are highlighted as follows:

Endomagnetics Limited (trading as Endomag), a business which has developed a magnetic tracking system for cancer tumours, was increased in value by £1.6 million as the business has continued to make good progress.

Investment valuations (continued)
Back Office Technology Limited (trading as Form3), a cloud payment system provider, was increased in value by £990,000 as the business has continued to develop well and attract attention from potential investors.

Freetrade Limited, the online investing app, has increased in value by £660,000, as the business continues to progress and successfully completed a new funding round in May.

StreetTeam Software Limited (trading as Pollen) operates a social ticketing system for travel, festivals and nightlife. The pandemic has unsurprisingly had a major impact on this business, although it has been able recently to complete a funding round that will help it through to when more normal times might return. The valuation has been reduced by £3.0 million.

Fords Packaging Topco Limited (trading as Fords Packaging Systems) makes capping and sealing systems primarily for the food and beverage industry. The business has performed well, but the pandemic has caused a significant disruption with new contract activity having to be delayed. Prospects of the business resuming at its previous levels of trading when more normal conditions return are good, however a provision of £1.4 million has been made at the year end in view of the current dip in profits.

Lyalvale Express Limited, a leading producer of shotgun ammunition, has reduced in value by £1.1 million due to unclear sales figures during this uncertain period.

Several of the Company's investments are quoted on AIM and are valued at their share prices at 31 March 2020. The valuation of the investment in Access Intelligence plc fell by £663,000 over the year and Fulcrum Utility Services Limited by £595,000.

Overall, the unrealised valuation movements on the portfolio resulted in a net decrease of £5.7 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
Although the valuation of the portfolio has been impacted by the pandemic, the Company still has sufficient liquid funds for its requirements, which allows it to pay a final dividend. A dividend of 1.5p per share is being proposed to be paid on 23 October 2020 to Shareholders on the register at 25 September 2020. This will bring the total dividends paid in respect of the year to 3.0p.

Fundraising
The Company launched a new offer for subscription in October 2019. To date, the offer has raised and allotted £11.0 million which provides the Company with additional funds to support existing portfolio companies and take advantage of new opportunities. All shares in connection with the offer were allotted after the year end.

The Company also undertook an offer for subscription, which closed in May 2019, having raised £7m and was fully subscribed.

Share Buybacks
The Company has a policy of purchasing its own shares that become available in the market at a discount of approximately 5% to the latest published NAV, subject to regulatory and liquidity constraints.

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 686,994 shares at an average price of 53.34p per share. Resolution 12 will be proposed at the AGM, to renew the authority for the Company to purchase its own shares.

Directorate
After 15 years of service, Barry Dean has decided to retire as a non-executive director of the Company and will step down and not seek re-election at the forthcoming AGM. On behalf of the Board, I would like to thank Barry for the substantial contribution he has made throughout a period which has seen many changes to the Company. My colleagues and I will miss his consistently insightful input and wish him well for the future.

The Board has no immediate plans to appoint a replacement but will keep this under review.

CHAIRMAN'S STATEMENT (continued)

Annual General Meeting ("AGM")
With social distancing still expected to be a significant issue for some time, and considering the safety and wellbeing of our Shareholders, the board is planning to take advantage of the government's legislation regarding AGMs. Therefore, this years' AGM will be a closed meeting and Shareholders will not be able to attend.

The closed AGM will take place on 22 September 2020 at 11 am.

Three items of special business are proposed at the AGM:

- one in respect of the authority to buy back shares as noted above; and
- two in respect of the authority to allot shares.

Full details of the business to be conducted at the AGM is included in the Notice of the AGM at the back of this Report. Shareholders are encouraged to submit their votes using the Form of Proxy which can be scanned and emailed to devctagm@downing.co.uk. Furthermore, the Board continues to welcome questions from Shareholders which can be sent to the same email address. The Board and Manager will address the questions that arise in an AGM statement that the Company will release after the meeting.

Outlook
The coronavirus pandemic has produced challenging conditions for most businesses and individuals everywhere. Businesses in some sectors will be badly impacted and it is clear that some will not survive the disruption and economic turmoil. However, businesses in some areas, particularly technology, are better placed to cope with this situation and may even be able to take advantage of the changes to the world that we might see.

The general economic uncertainty will be a threat to all businesses but the Draper Esprit team and Elderstreet will continue to work closely with all portfolio companies to ensure they are supported as much as they can be.

As a result of the recent offer for subscription, the Company has a reasonable level of liquid funds which will allow it to support existing portfolio businesses where there is a compelling case. Economic downturns can often ultimately be some of the most successful times for investing and the VCT currently has £15.7 million of cash. Over the next year we expect to develop our portfolio by employing further funds in new investment opportunities alongside Draper Esprit plc. Not all of these investments will be successful, and some will take time to prove their worth, but we believe, in the long term, the Company will have the potential to deliver attractive returns.

The next update for Shareholders will be the Half-Yearly Report to 30 September 2020, which we expect to be published in December.

David Brock
Chairman

31 July 2020

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 new technology portfolio invested alongside other Draper Esprit funds and a legacy portfolio assembled before the Draper Esprit arrangement.

It has been a busy year for the management team, with a total of five new investments having been completed alongside four follow-on investments, and one disposal. £2.4 million was invested into the five new companies, and £2.8 million into the four follow-on investments. Two of those follow on investments were led by third party new investors at higher valuations than the VCT invested. No further investment was made into the legacy portfolio.

In the period Podpoint was sold to EDF realising proceeds of £1.9 million. This disposal realised a 2.2x return and represented an IRR of over 60% on an investment made in July 2018. This is the first disposal made from the Draper technology portfolio.

Post the year end, two new investments have been made into the fin-tech sector, totalling £3.5 million, and three further follow-ons have been made totalling £1.8 million. One of the new fin-tech investments, Thought Machine, has been highlighted in a recent review by CB Insights, a tech market intelligence company, as a future 'Unicorn' i.e. a company with the potential to be valued at a billion pounds. Two of the follow-ons were led either by third party institutional venture capital and/or strategic investors at higher valuations than the VCT originally invested.

As Managers of the VCT, we were confident of the upward trend in the portfolio valuations until the advent of the Covid crisis. In line with the general market, we have seen mixed results in trading across our portfolio companies.

As a result, the Company recorded a 7.7p decrease in the Total Return (net asset value including cumulative dividends), from 158.7p to 151.0p. The NAV per share fell to 46.0p after paying dividends of 3.0p during the year. This fall in NAV of 13.6% broadly reflects the drop in equity markets generally, although is less sharp partly because of the proportion of the funds held in cash.

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

	£'000
Hadean *Cloud native mass distribution computing platform*	**400**
Freetrade *Zero commission stock trading platform*	**600**
Sweepr *Home Smart devices support platform*	**515**
United Authors Publishing (t/a Unbound) Digital book publisher	**442**
Real Eyes *Emotion AI recognition technology*	**430**
	2,387

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. At the year end, the total Draper technology portfolio consisted of 18 companies (having exited PodPoint in the period), and a further two new Fintech deals have completed as at the end of June. As we flagged in last year's report we expect there to be substantial follow-on investments into the Draper Esprit businesses currently in the portfolio.

A highlight of the 19/20 investment vintage is Freetrade, the zero commission stock trading platform, which has raised a further £6m from new investors and grown assets under administration by over 350%.

From the 2018/19 vintage investments, two have attracted good follow on investors. Back Office Technology (t/a Form 3), the cloud native fintech payments processor, has raised a substantial round including large tier 1 corporate investors who are keen to use the technology within their enterprise.

Evonetix, developing DNA gene synthesis technology, raised a further round led by US venture investors Foresite Capital. Existing investors, Draper Esprit, DCVC (Data Collective), the Morningside group, Providence Investment Company, Cambridge Consultants Ltd, Rising Tide Fund, and Civilization Ventures, also all participated in the round. The managers believe the breadth of the syndicate investors in this and other Draper investments is a unique and positive aspect of the Draper Esprit VCT.

On the downside, a large provision has been taken for StreetTeam (t/a Pollen). While the company raised a further round from incumbent investors in May 2020, at a valuation that is higher than the year end carrying value would reflect, the business has a large exposure to the travel and entertainment market, and a cautious approach has been taken when valuing this company. The Managers are hopeful that this is a temporary reduction in value and that an early recovery from the Covid slowdown will lead to a mark-up in valuation in the near future.

Within the legacy portfolio, Fords Packaging Topco Limited ('Fords'), an exporter of capping and sealing technology products, continues to perform well albeit the Covid crisis has resulted in a temporary stalling of orders as engineers have not been able to travel globally. The order book remains healthy and we believe that Fords still has the potential to provide further upside.

There are two meaningful AIM companies in the legacy portfolio; Access Intelligence and Fulcrum. Over the year these saw a decrease of 22% (adjusted for the receipt of £300k in repaid loans). However, at the end of June 2020 we have seen a further 28% recovery in their value, an increase of £1.1 million.

Lyalvale Express Limited, the shotgun cartridge manufacturer, has seen an 8% year on year sales drop. While good management has ensured the profit has remained stable, the Covid crisis has resulted in little visibility on the coming years shooting market. The valuation has therefore been reduced at the year end.

After the year end the VCT allotted £11.0 million of Shares under the 2019 prospectus Offer. This Offer remains open until the end of August. The Manager remains confident that the new funds raised over the past fundraising seasons can be invested within the qualifying timeframe. The Board is also planning to launch a further Offer later this year.

In summary, it has been a busy period for the Company which has seen a significant level of new investment and follow-on 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.

While the Covid pandemic and forthcoming Brexit negotiations provide substantial headwinds to the global economy, investments into technology retain their ability to scale quickly and harness good gross margins. We remain cautiously optimistic for the portfolio and restate our belief that technology retains the attributes of good potential for future growth.

Elderstreet Investments Limited 31 July 2020

REVIEW OF INVESTMENTS

Portfolio of investments

The following investments were held at 31 March 2020. 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	5,626	(1,353)	16.3%
Access Intelligence plc*	2,586	3,742	(663)	10.9%
Endomagnetics Limited	912	2,466	1,553	7.1%
IESO Digital Health Limited	1,900	1,900	-	5.5%
Back Office Technology Limited	700	1,690	990	4.9%
Lyalvale Express Limited	1,915	1,428	(1,143)	4.1%
Freetrade Limited	600	1,260	660	3.7%
Evonetix Limited	793	1,183	390	3.4%
Resolving Limited	799	799	-	2.3%
Sweepr Technologies Limited	515	526	11	1.5%
	13,153	20,620	445	59.7%
Other venture capital investments				
Cashfac plc	260	525	-	1.5%
Fulcrum Utility Services Limited*	386	514	(595)	1.5%
Push Dr Limited	1,756	501	(1,255)	1.5%
Apperio Limited	500	500	-	1.5%
Crowdcube Limited	400	476	(236)	1.4%
Roomex UK Limited	616	463	(153)	1.3%
United Authors Publishing Limited	442	442	-	1.3%
RealEyes Holding Limited	430	430	-	1.3%
Hadean Supercomputing Limited	400	400	-	1.2%
IXL PremFina Limited	756	378	(378)	1.1%
Light Blue Optics Limited	483	327	(155)	0.9%
Macranet Limited	1,037	259	-	0.7%
StreetTeam Software Limited	2,503	140	(3,042)	0.4%
Servoca plc	333	120	-	0.3%
AngloINFO Limited	3,527	-	-	-
Ocelot Realisations Limited (formerly Baldwin & Francis Ltd)	1,534	-	-	-
Uvenco UK plc*	1,326	-	-	-
Location Sciences Group plc*	860	-	(7)	-
Kellan Group plc*	657	-	(2)	-
The National Solicitors Network Limited	501	-	-	-
Ridee Limited	499	-	-	-
AppUx Limited	326	-	(326)	-
The QSS Group Limited	268	-	-	-
RB Sport & Leisure Holdings plc	188	-	-	-
Infoserve Group plc	128	-	-	-
EDO Consulting Limited	125	-	-	-
Sift Limited	125	-	(42)	-
	20,366	5,475	(6,191)	15.9%
	33,519	26,095	(5,746)	75.6%
Cash at bank and in hand		8,422		24.4%
Total investments		34,517		100.0%

All venture capital investments are unquoted unless otherwise stated

* Quoted on AIM

REVIEW OF INVESTMENTS (continued)

Investment movements for the year ended 31 March 2020

ADDITIONS

Venture capital investments	**£'000**
StreetTeam Software Limited	1,218
Push Dr Limited	1,032
Freetrade Limited	600
Sweepr Technologies Limited	515
United Authors Publishing Limited	442
RealEyes Holding Limited	430
IESO Digital Health Limited	400
Hadean Supercomputing Limited	400
Light Blue Optics Limited	171
	5,208

DISPOSALS

	Cost £'000	**Value at 1 April 2019 £'000**	**Proceeds £'000**	**Profit vs cost £'000**	**Realised gain £'000**
Quoted Investments					
Access Intelligence plc*	300	300	300	-	-
Venture Capital Investments					
Pod Point Holdings Limited	860	1,745	1,865	1,005	120
	1,160	2,045	2,165	1,005	120

* Quoted on AIM

REVIEW OF INVESTMENTS (continued)

Further details of the ten largest investments are as follows:

Fords Packaging Topco Limited
www.fordsps.com

Cost at 31/03/20:		£2,433,000	Valuation at 31/03/20:	£5,626,000
Cost at 31/03/19:		£2,433,000	Valuation at 31/03/19:	£6,979,000
Investment comprises:				
Equity shares:		£2,425,000	Valuation method:	Earnings multiple
8% loan note:		£8,000		
Audited accounts:	30/06/19	30/06/18	Dividend income:	£250,000
Turnover:	£9.3m	£7.7m	Loan note income:	£1,000
Profit before tax:	£1.3m	£1.1m	Proportion of capital held:	48.7%
Net assets	£4.2m	£3.6m	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 31/03/20:		£2,586,000	Valuation at 31/03/20:	£3,742,000
Cost at 31/03/19:		£2,886,000	Valuation at 31/03/19:	£4,705,000
Investment comprises:				
Equity shares:		£2,586,000	Valuation method:	Bid price
Equity share options:		£Nil		
Audited accounts:	30/11/19	30/11/18	Dividend income:	£Nil
Turnover:	£13.4m	£8.9m	Loan note income:	£23,000
Loss before tax:	(£2.9m)	(£1.7m)	Proportion of capital held:	9.3%
Net assets:	£14.0m	£10.7m	Diluted equity:	10.6%

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.

Endomagnetics Limited
www.endomag.com

Cost at 31/03/20:		£912,000	Valuation at 31/03/20:	£2,466,000
Cost at 31/03/19:		£912,000	Valuation at 31/03/19:	£912,000
Investment comprises:				
Preference shares:		£912,000	Valuation method:	Earnings multiple
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.

IESO Digital Health Limited
www.iesohealth.com

Cost at 31/03/20:		£1,900,000	Valuation at 31/03/20:	£1,900,000
Cost at 31/03/19:		£1,500,000	Valuation at 31/03/19:	£1,500,000
Investment comprises:				
A Preference shares:		£1,500,000	Valuation method:	Cost as reviewed for impairment
Audited accounts:	31/12/18	31/12/17	Dividend income:	£Nil
Turnover:	£4.9m	£4.5m		
Loss before tax:	(£10.2m)	(£6.3m)	Proportion of capital held:	4.8%
Net assets:	£3.9m	£13.5m	Diluted equity:	4.4%

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.

Back Office Technology Limited
www.form3.tech

Cost at 31/03/20:		£700,000	Valuation at 31/03/20:	£1,690,000
Cost at 31/03/19:		£700,000	Valuation at 31/03/19:	£700,000
Investment comprises:				
Equity shares:		£700,000	Valuation method:	Earnings multiple
Audited accounts:	31/03/19	31/03/18	Dividend income:	£Nil
Turnover:	Unpublished information			
Profit before tax:	Unpublished information		Proportion of capital held:	2.7%
Net assets:	£12.7m	£3.7m	Diluted equity:	2.0%

Back Office Technology Limited (trading as Form3) is a complete end to end 'Payments As A Service' technology provider. Their real-time payment platform helps banks, fintechs, financial institutions, e-commerce gateways and card providers process a wide range of payments quickly, simply and cost effectively.

Lyalvale Express Limited
www.lyalvaleexpress.com

Cost at 31/03/20:		£1,915,000	Valuation at 31/03/20:	£1,428,000
Cost at 31/03/19:		£1,915,000	Valuation at 31/03/19:	£2,570,000
Investment comprises:				
Equity shares:		£1,915,000	Valuation method:	Earnings multiple
Audited accounts:	31/03/18	01/04/17	Dividend income:	£162,000
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.

Freetrade Limited
freetrade.io

Cost at 31/03/20:		£600,000	Valuation at 31/03/20:	£1,260,000
Investment comprises:				
Equity shares:		£600,000	Valuation method:	Price of recent investment
Audited accounts:	30/09/18	30/09/17	Dividend income:	£Nil
Turnover:	-	-		
Loss before tax:	(£1.3m)	(£0.5m)	Proportion of capital held:	1.3%
Net assets:	£2.7m	£0.7m	Diluted equity:	1.1%

Freetrade Limited is a financial technology company that offers a share dealing service.

Evonetix Limited
www.evonetix.com

Cost at 31/03/20:		£793,000	Valuation at 31/03/20:	£1,183,000
Cost at 31/03/19:		£793,000	Valuation at 31/03/19:	£793,000
Investment comprises:				
Preference shares:		£793,000	Valuation method:	Earnings multiple
Audited accounts:	31/12/18	31/12/17	Dividend income:	£Nil
Turnover:	Unpublished information			
Profit before tax:	Unpublished information		Proportion of capital held:	3.2%
Net assets/(liabilities):	£6.4m	(£1.2m)	Diluted equity:	2.6%

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

Resolving Limited
www.resolvergroup.com

Cost at 31/03/20:		£799,000	Valuation at 31/03/20:	£799,000
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)

Sweepr Technologies Limited sweeper.com	Cost at 31/03/20:	£515,000	Valuation at 31/03/20:	£526,000
	Investment comprises: Equity shares:	£515,000	Valuation method:	Price of recent investment
	Audited accounts: no published information		Dividend income:	£Nil
			Proportion of capital held: Diluted equity:	4.2% 1.8%

Sweepr develop and sell enterprise software platforms to help consumers interact with the technologies that infuse their lives.

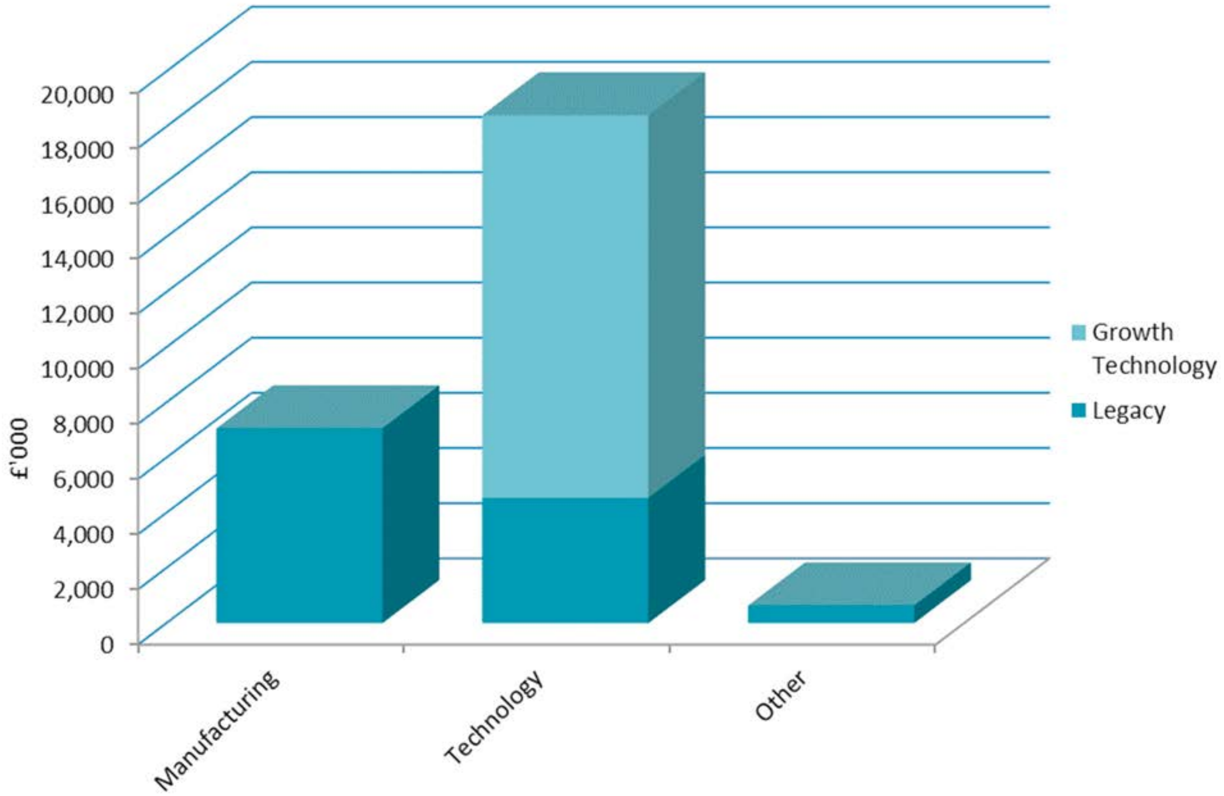
Notes on the top ten investment disclosures
Except where disclosed, the proportion of equity held by each investment also represents the level of voting rights held by the Company in respect of the investment.

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

REVIEW OF INVESTMENTS (continued)

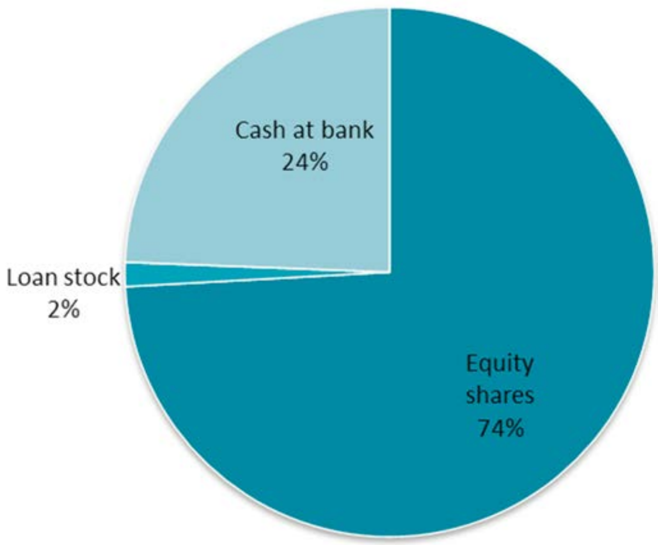
Analysis of investments by commercial sector

The split of the venture capital investment portfolio by commercial sector (by value at 31 March 2020) 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 2020):



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	92.1%	>70%
Non-qualifying investments (including cash at bank)	7.9%	<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 2020. 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 2020 the investment portfolio had decreased in value by £2.6 million (31 March 2019: £1.6 million increase). Realised gains on investment disposals totalled £120,000 for the year (2019: £246,000).

Total running costs for the year including expenses charged to capital, exceeded revenue income by £629,000 (2019: £492,000). There was no performance fee in 2020 (2019: nil).

The Ongoing Charges ratio is an Alternative Performance Measure used by the Board to monitor expenses The annualised ongoing charges ratio was 3.3% (2019: 3.0%).

The total loss for the year was £6.3 million (2019: £1.3 million profit). Net assets as at 31 March 2020 were £36.7 million (2019: £39.0 million). Dividends paid during the year totalled £2.4 million (2019: £2.1 million).

The cash balances held by the VCT decreased from £10.5 million as at 31 March 2019 to £8.4 million as at 31 March 2020. This was due to the 2019 Offer, which closed on 10 May 2019, raising £7.0 million and VCT Qualifying investments made during the year.

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 are Net Asset Value (NAV), Total Return (NAV plus cumulative dividends paid to date) and dividends per share (see page 2). The performance of the VCT, measured by historic Share Price Total Return, is shown by the graph on page 25.

The net asset value per share is defined as an Alternative Performance Measure and the Board considers it to be the primary measure of shareholder value.

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 emerging and 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 and 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.

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 sectors and subsectors.

On 11 March 2020, the World Health Organisation declared the outbreak of a strain of novel coronavirus disease, Covid-19, a global pandemic which the Board recognise has resulted in subsequent major developments and an impact on year end valuations. Although the full impact is not yet known, there is a significant risk that the pandemic may negatively impact the prospects of many businesses within the portfolio.

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 Provisions 33 and 36 of the AIC Code of Corporate Governance, the Directors have assessed the emerging and principle risks facing 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. This includes the impact of the coronavirus pandemic and any other risks which may adversely impact its business model, future performance, solvency or liquidity. The six-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 emerging and 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 below.

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 686,994 Shares at an average price of 53.34p 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 2020 the maximum amount of borrowings allowed, without the previous sanction at a General Meeting, stood at £3.7 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 2020, 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);	92.1%
2. At least 70% of the Company's qualifying investments (by value) are held in "eligible shares" (funds raised before 5 April 2011 are excluded);	87.2%
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;	83.7%
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.

Statement on s172

Under section 172 of the Companies Act 2006, the Board have a duty to promote the success of the Company, and when making decisions for the long term, have regard to a range of matters including:

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

However, the Company has no employees (other than its Directors) and no customers in the traditional sense. It is normal practice for Venture Capital Trusts to delegate authority for day-to-day management and administration of the Company to third parties. The Board will then engage with the third parties in setting, approving and overseeing the execution of the business strategy and related policies. In accordance with the Company's nature as a Venture Capital Trust, the Board's principal concern has been, and continues to be, the interest of the Company's Shareholders taken as a whole as well as continuing to monitor portfolio management in light of the Company's objectives.

In addition to this, the Board has a responsible governance culture and has due regard for broader matters so far as they apply including the expectations of its regulators. Specifically, the Board engages with the Investment Manager at every Board meeting where it will review the financial and operational performance, as well as legal and regulatory compliance. The Board also reviews its relationships with other service providers at least annually as well as other areas over the course of the financial year including the Company's key risks; stakeholder-related matters; diversity and inclusivity; environmental matters; and corporate responsibility and governance.

The Investment Manager regularly engages with major shareholders, by producing half yearly reports and reporting back to the Board. The Board also encourage all Shareholders to attend the AGM and welcomes any other communications from Shareholders. Its main stakeholders therefore comprise of the shareholders, the Investment Manager, other service providers and investee companies.

STRATEGIC REPORT (continued)

Statement on s172 (continued)

The principal decisions made or approved by the Directors during the year include dividend declarations and the launch of a new offer for subscription. In taking these decisions, the Directors considered their duties under section 172 of the Act. Principal decisions have been defined as those that have a material impact to the Company and its key stakeholders.

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 27.

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

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

31 July 2020

REPORT OF THE DIRECTORS

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 March 2020.

Share capital

During the year the Company issued a total of 11,902,047 Ordinary Shares of 5p each ("Ordinary Shares") at an average price of 58.67p per share, under the Offer that launched in January 2019. The gross proceeds of the Offer were £7.0 million, with issue costs in respect of the Offer amounting to £185,000.

During the year, the Company purchased 686,994 Ordinary Shares for cancellation for an aggregate consideration of £366,000, equating to an average price of 53.34p per share. The purchases were undertaken at an average of a 6.5% 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 2020 was 79,934,164.

In October 2019 the Company launched a further Offer. Between the balance sheet date and the date of this report, 25,854,564 Ordinary Shares were issued at an average price of 42.23p per Ordinary Share raising £11.0 million. At the date of this report the total number of Ordinary Shares in issue was 105,788,728. There are no other share classes in issue.

Results and dividends

	£'000	Pence per share
Loss on ordinary activities after tax for the year ended	(6,255)	(7.8)
Dividends paid in the year		
23 October 2019	1,204	1.5
27 March 2020	1,199	1.5
	2,403	3.0

Your Company will pay a final dividend of 1.5p per Ordinary Share on 23 October 2020, to Shareholders on the register at 25 September 2020, 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, with the exception of Barry Dean, 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 2020, was 3.3% (2019: 3.0%).

Administration management fees

Downing LLP provides administration services to the Company for a fee of £65,000 per annum. The agreement is terminable by one year's prior written notice by either side.

Substantial interests

As at 31 March 2020, 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

This years' Annual General Meeting will be a closed meeting held at 11:00 a.m. on 22 September 2020. 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.

REPORT OF THE DIRECTORS (continued)

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 29.

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 20.

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

31 July 2020

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 Hugh Aldous. The Committee has reviewed the current fee structure which has been in place since 1 April 2019 and agreed that the remuneration levels should remain unchanged for the forthcoming year.

Remuneration policy report

Below is the Company's remuneration policy which was effective for three years commencing 1 January 2018. Accordingly, the Board will be seeking Shareholder approval of the policy at the forthcoming AGM, for the three year period commencing 1 January 2021. Shareholders should note that the Remuneration Policy remains unchanged from previous years.

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 30 to 34.

Directors' remuneration for the year under review was as follows:

	Annual fees from 1 April 2020 £	Year to 31 Mar 20 £	Year to 31 Mar 19 £
David Brock	30,000	30,000	22,500
Hugh Aldous	26,500	26,500	17,500
Barry Dean	24,000	24,000	17,500
Michael Jackson	24,000	24,000	15,000
Nicholas Lewis	24,000	24,000	15,000
	128,500	128,500	87,500

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 24 September 2019, the votes in respect of the resolution to approve the Directors' Remuneration Report were as follows: -

In favour	96.0%
Against	4.0%
Withheld	-

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’ REMUNERATION REPORT (continued)

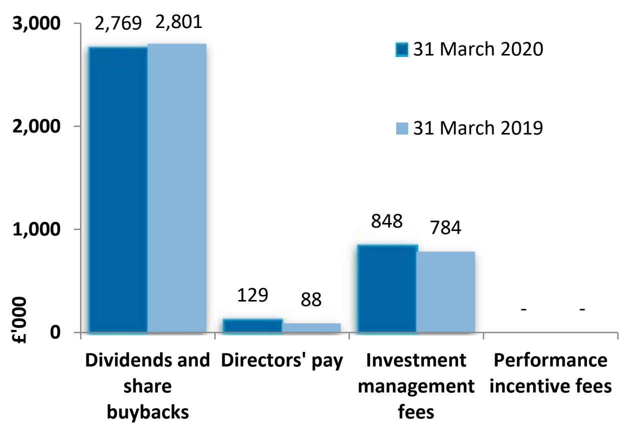
Directors share interests

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 July 2020	**31 Mar 2020**	**31 Mar 2019**
David Brock	174,333	174,333	104,281
Hugh Aldous	49,827	20,710	20,710
Barry Dean	20,421	20,421	20,421
Michael Jackson	801,790	801,790	801,790
Nicholas Lewis	48,498	48,498	48,498

Relative importance of spend on pay

The differences in actual spend between 31 March 2020 and 31 March 2019 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 2010.

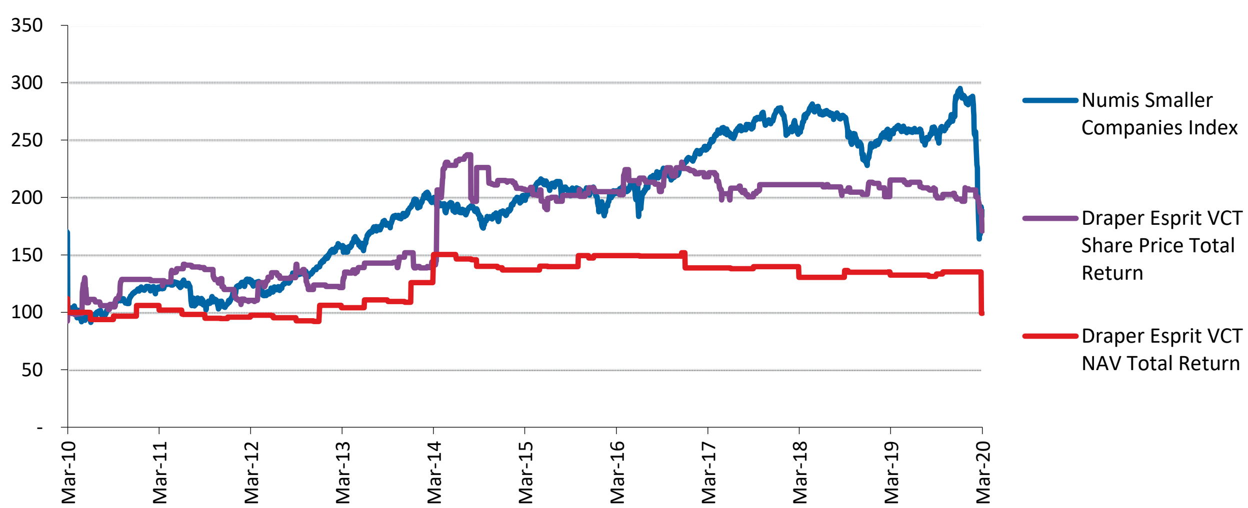
The Board believes that NAV Total Return provides Shareholders with a fairer reflection of the Company’s long-term value than the Company’s share price, due to the long-term nature of an investment in Venture Capital Trust shares. The Numis Smaller Companies Index is considered to be the most appropriate 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

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

31 July 2020

Performance graph



CORPORATE GOVERNANCE STATEMENT

The Board has considered the principles and provisions of the AIC Code of Corporate Governance ("AIC Code"). The AIC Code addresses all principles and provisions set out in the UK Corporate Governance Code, as well as setting out additional provisions on issues that are of specific relevance to investment companies.

The Board considers that reporting against the principles and provisions of the AIC Code, which incorporates the UK Corporate Governance Code, will provide better information to Shareholders.

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. 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 £50,000.

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 (4 held)	**Audit Committee meetings attended (2 held)**	**Remuneration Committee meetings attended (1 held)**
David Brock	4	2	1
Hugh Aldous	4	2	1
Barry Dean	4	2	1
Michael Jackson	4	n/a	1
Nicholas Lewis	3	n/a	1

There were no Nomination Committee meetings during the year.

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 2020 is the thirteenth 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 2020, 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 2020. 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 24, 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

In view of social distancing restrictions this year, Shareholders are encouraged to send any questions to the Board ahead of 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 22 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 34.

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 pages 4 to 6, the Investment Manager's Report on pages 7 to 8 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 37, the Statement of Cash Flows on page 38 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, despite the uncertain economic outlook.

The result of the EU referendum in 2016 has resulted in a UK withdrawal from the EU. Whilst the details of the EU withdrawal agreement are not yet known, the impact of Brexit might have some significant effect on the macroeconomic environment in the medium and long term, however the Board believes the impact on the Company will be reasonably small.

On 11 March 2020, the World Health Organisation declared the outbreak of a strain of novel coronavirus disease, Covid-19, a global pandemic. Although the full impact of the unprecedented situation is not yet known, there is a significant risk that the pandemic will negatively impact the prospects of many businesses within the portfolio and as such see a fall in investee valuations and net asset values.

However, after reviewing the company's forecasts and projections, the Directors have a reasonable expectation that the major cash outflows of the Company (notably new investments, share buybacks and dividends) are within the Company's control. Therefore, the Board is confident that the current situation will not threaten the going concern status. The Board is satisfied that the Company has adequate resources to continue in business for at least twelve months from the date of approval of these financial statements. 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. Following discussions with the AIC on an update to the AIC Code, the Financial Reporting Council (FRC) confirmed that member companies who report against the AIC Code will be meeting their obligations in relation to the UK Corporate Governance Code and paragraph 9.8.6 of the Listing Rules.

With the exception of the items outlined below, the Company has complied, throughout the accounting year ended 31 March 2020, with the provisons set out in Sections 5 to 9 of the AIC Code of Corporate Governance:

a) The Company has no major Shareholders, so Shareholders are not given the opportunity to meet the Chairman at a specific meeting other than the Annual General Meeting. (5.2.3)

b) 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. (6.2.14, 7.2.26)

c) Due to the size of the Board and the nature of the Company's business, the Board considers it appropriate for the entire Board, including the chair, to fulfil the role of the nomination and the remuneration committee. (7.2.22, 9.2.37)

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

31 July 2020

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 2020 which comprise the income statement, the balance sheet, the statement of changes in equity, the 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 2020 and of its loss 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 directors' confirmation in the annual report that they have carried out a robust assessment of the company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements 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 judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. 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)

<table>
<tr><th>Key Audit Matter</th><th>How We Addressed the Key Audit Matter in the Audit</th></tr>
<tr><td>Valuation of unquoted investments (Note 1 and 9 to the financial statements)

There is a high level of estimation uncertainty involved in determining the unquoted investment valuations; consisting both equity and loan stock portions.

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.</td><td>We tested a sample of 99% of the unquoted investment portfolio by value of investment holdings. 69% of the unquoted portfolio is based on valuations using multiples to calibrate the 'price of recent investments' and the expected funding round price. The remaining 31% of the investment portfolio is valued with reference to more subjective techniques using multiples of revenue or earnings.

For all Investments in our sample we:
Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and FRS 102;
Recalculated the value attributable to the Company, having regard to the application of enterprise value across the capital structures of the investee companies;
For investments sampled that were valued using less subjective valuation techniques (cost and price of recent investment reviewed for changes in fair value) we:
Agreed the cost or price of recent investment to supporting documentation;
Considered whether the investment was an arm's length transaction through reviewing the parties involved in the transaction and checking whether or not they were already investors of the investee company prior to the transaction;
Considered whether there were any indications that the cost or price of the recent investment was no longer representative of fair value considering, inter alia, the current performance of the investee Company and the milestones and assumptions set out in the investment proposal; and
Considered whether the price of recent investment is supported by alternative valuation techniques.
For investments sampled that were valued using more subjective techniques (earnings and revenue multiples) we:
Challenged and agreed the inputs to the valuation with reference to management information of investee companies, market data and our own understanding, including the impact of coronavirus pandemic on the valuations and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements;
Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues and earnings used in the valuations;
Considered the revenue or earnings multiples applied by reference to observable listed company market data; and
Challenged the consistency and appropriateness of adjustments made to such market data in establishing the earnings multiple applied in arriving at the valuations adopted by obtaining independent multiples and performing sensitivity analysis on the investment valuations.
Where appropriate, we performed a sensitivity analysis by developing our own point estimate where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias.
For investments not included in our detailed testing, we performed the following procedures where relevant:
Considered whether the valuation had been prepared by a suitably qualified individual
Considered whether a valid IPEV methodology had been adopted
Considered whether the valuation used up to date trading information.
Performed analytical procedures, by considering any changes to the valuation methodology from the prior year.</td></tr>
</table>

Key audit matters (continued)

	Key observations Based on the procedures performed we consider the investment valuations to be within an appropriate range considering the level of estimation uncertainty.

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 different levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	**Purpose**	**Key considerations and benchmarks**	**Quantum (£)**
Financial statement materiality. *(Approx 2% of gross investments 2019:1.75%)*	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	£600,000 (31 March 2019: £500,000)
Performance materiality. *(75% (2019:70%) of materiality)*	Lower level of materiality applied in the 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)	£450,000 (31 March 2019: £350,000)

We have set a lower testing threshold for those items impacting revenue returns of £60,000 (2019: £90,000), with a performance threshold of £45,000 (2019: £63,000) which is based on 5% (2019: 8%) of the gross expenditure and 75% (2019: 70%) of this respectively.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £10,000 (2019: £5,000), 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 directors 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.

How the audit was considered capable of detecting irregularities, including fraud

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

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 one 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. 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 Report and Accounts 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–** 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 position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting–** 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 UK Corporate Governance Code –** the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code 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 UK Corporate Governance Code.

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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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.

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

Matters on which we are required to report by exception (continued)
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 within the report of the directors', 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 re-appointed by the Board of Directors in April 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement, including previous renewals and reappointments is 13 years, covering the years ended 31 December 2007 to 31 March 2020.

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, United Kingdom 31 July2020

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

INCOME STATEMENT
for the year ended 31 March 2020

		Year ended 31 March 2020			Year ended 31 March 2019		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	**2**	585	-	585	634	-	634
Gains/(losses) on investments	**9**	-	(5,626)	(5,626)	-	1,817	1,817
		585	(5,626)	(5,041)	634	1,817	2,451
Investment management fees	**3**	(212)	(636)	(848)	(196)	(588)	(784)
Other expenses	**4**	(366)	-	(366)	(267)	(75)	(342)
Return/(loss) on ordinary activities before tax		7	(6,262)	(6,255)	171	1,154	1,325
Tax on return/(loss)	**6**	-	-	-	-	-	-
Return/(loss) attributable to equity shareholders, being total comprehensive income for the period	**8**	7	(6,262)	(6,255)	171	1,154	1,325
Basic and diluted return/(loss) per share	**8**	-	(7.8p)	(7.8p)	0.2p	1.7p	1.9p

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 Standard 102 ("FRS 102"). The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in October 2019 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 2020

	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 year ended 31 March 2019										
At 1 April 2018		3,194	533	22,054	1,828	452	5,515	3,331	(187)	36,720
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		-	-	-	-	(153)	-	-	-	(153)
Purchase of own shares		(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
For the year ended 31 March 2020										
At 1 April 2019										
Total comprehensive income		-	-	-	-	-	(5,746)	(516)	7	(6,255)
Transfer between reserves*		-	-	-	-	(3,281)	1,760	1,521	-	-
Transactions with owners										
Issue of new shares		595	-	6,388	-	-	-	-	-	6,983
Share issue costs	12	-	-	-	-	(185)	-	-	-	(185)
Purchase of own shares	12	(34)	34	-	-	(366)	-	-	-	(366)
Dividends paid	7	-	-	-	-	-	-	(2,403)	-	(2,403)
At 31 March 2020		3,997	633	6,388	1,828	18,713	4,417	776	(9)	36,743

* A transfer of £1,760,000 (2019: £1,317,000), representing impairment losses during the year, as well as cumulative unrealised gains on investments which were disposed of during the year has been made from the Capital reserve - unrealised to the Capital Reserve – realised. A transfer of £1,521,000 (2019: £1,194,000), 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 £nil (2019: £25,625,000), 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 2020

	Note	£'000	31 Mar 2020 £'000	£'000	31 Mar 2019 £'000
Fixed assets					
Investments	**9**		26,095		28,678
Current assets					
Debtors	**10**	2,416		48	
Cash at bank and in hand		8,422		10,455	
		10,838		10,503	
Creditors: amounts falling due within one year	**11**	(190)		(212)	
Net current assets			10,648		10,291
Net assets			36,743		38,969
Capital and reserves					
Called up share capital	**12**		3,997		3,436
Capital redemption reserve	**13**		633		599
Share premium account	**13**		6,388		-
Merger reserve	**13**		1,828		1,828
Special reserve	**13**		18,713		22,545
Capital reserve – unrealised	**13**		4,417		8,403
Capital reserve – realised	**13**		776		2,174
Revenue reserve	**13**		(9)		(16)
Total equity shareholders' funds	**14**		36,743		38,969
Basic and diluted net asset value per share	**14**		**46.0p**		**56.7p**

The financial statements on pages 35 to 54 were approved and authorised for issue by the Board of Directors on 31 July 2020 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 2020

	Note	31 Mar 2020 £'000	31 Mar 2019 £'000
Cash flow from operating activities			
(Loss)/profit on ordinary activities before taxation		(6,255)	1,325
Losses/(gains) on investments		5,626	(1,817)
(Increase)/decrease in debtors		(2,403)	71
Increase/(decrease) in creditors		16	(5)
Net cash outflow from operating activities		(3,016)	(426)
Cash flow from investing activities			
Purchase of investments		(5,208)	(6,889)
Proceeds from disposal of investments		2,165	856
Net cash outflow from investing activities		(3,043)	(6,033)
Cash flow from financing activities			
Equity dividends paid	**7**	(2,403)	(2,072)
Proceeds from share issue		6,983	3,879
Share issue costs	**12**	(165)	(173)
Purchase of own shares	**12**	(389)	(707)
Net cash inflow from financing activities		4,026	927
Net decrease in cash		(2,033)	(5,532)
Cash and cash equivalents at start of year		10,455	15,987
Cash and cash equivalents at end of year		8,422	10,455
Cash and cash equivalents comprise			
Cash at bank and in hand		8,422	10,455
Total cash and cash equivalents		8,422	10,455

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

NOTES TO THE ACCOUNTS
for the year ended 31 March 2020

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 October 2019 ("SORP") and with the Companies Act 2006.

Going concern

After reviewing the Company's forecasts and projections, the Directors have a reasonable expectation that the major cash outflows of the Company (most notably investments, share buybacks and dividends) are within the Company's control and therefore the Company has sufficient cash to meet its expenses and liabilities when they fall due. The impact of COVID-19 has been considered. More detail on these considerations can be found within the Corporate Governance report. As such, the Board confirms that the Company has adequate resources to continues in operational existence for at least 12 months from the date of approval of the financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements as noted further within the Corporate Governance report on page 29.

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 £26,095,000 as at 31 March 2020.

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:

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

1. Accounting policies (continued)

Judgement in applying accounting policies and key sources of estimation uncertainty

Investments (continued)

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.

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.

1. Accounting policies (continued)

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.

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 2020 £'000	Year to 31 Mar 2019 £'000
Income from investments		
Loan note interest	23	37
Dividend income	466	498
	489	535
Other income		
Deposit interest	96	99
	585	634

3. Investment management fees

	Year to 31 Mar 2020 £'000	Year to 31 Mar 2019 £'000
Investment management fees	848	784
	848	784

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 2020, no performance fees were payable at the balance sheet date (2019: £nil).

4. Other expenses

	Year to 31 Mar 2020 £'000	Year to 31 Mar 2019 £'000
Administration services	57	50
Directors' remuneration	128	88
Social security costs	10	1
Auditor's remuneration for statutory audit	37	22
Corporation tax services	2	2
Trail commission	36	16
Provision for doubtful income	-	74
Other running costs	96	89
	366	342

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. £5,000 of the Auditor's remuneration is attributable to the prior year.

5. Directors' remuneration

Details of remuneration of the Directors (excluding employers' NI) can be found in the Directors' Remuneration Report on page 24.

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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2020

6. Taxation on ordinary activities

	Year to 31 Mar 2020 £'000	Year to 31 Mar 2019 £'000
(a) Tax charge for the year		
Current year		
UK corporation tax at 19.0% (2019: 19.0%)	-	-
Charged to capital expenses	-	-
	-	-
(b) Factors affecting tax charge for the year		
(Loss)/gain on ordinary activities before tax	(6,255)	1,325
Tax charge calculated on (loss)/gain on ordinary activities before tax at the applicable rate of 19.0% (2019: 19.0%)	(1,188)	252
Losses/(gains) on investments	1,069	(345)
UK dividend income	(89)	(95)
Expenses disallowed for taxation purposes	-	14
Excess management fees carried forward	208	174
Tax charge	-	-

(c) Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £7.4 million as at 31 March 2020 (2019: £6.3 million). The associated deferred tax asset 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.

7. Dividends

		Year ended 31 March 2020			Year ended 31 March 2019		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Dividends paid in year							
2020 Interim	1.5p	-	1,199	1,199	-	-	-
2019 Final	1.5p	-	1,204	1,204	-	-	-
2019 Interim	1.5p	-	-	-	138	895	1,033
2018 Final	1.5p	-	-	-	-	1,039	1,039
		-	2,403	2,403	138	1,934	2,072
Forthcoming dividends							
2020 Final	1.5p	-	1,587	1,587	-	-	-
2019 Final	1.5p	-	-	-	-	1,209	1,209
		-	1,587	1,587	-	1,209	1,209

8. Basic and diluted return per share

	Year to 31 Mar 2020	Year to 31 Mar 2019
Basic and diluted (loss)/return per share	(7.8p)	1.9p
Return per share based on:		
Net revenue return for the financial year (£'000)	7	171
Net capital gains/(losses) for the financial year (£'000)	(6,262)	1,154
Total Return/(loss) for the financial year (£'000)	(6,255)	1,325
Weighted average number of shares in issue	80,113,600	69,241,683

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 2019	6,147	23,324	29,471
Impairment losses at 1 April 2019	(3,078)	(5,567)	(8,645)
Unrealised gains at 1 April 2019	2,575	5,277	7,852
Opening fair value at 1 April 2019	5,644	23,034	28,678
Movements in the year			
Purchased at cost	-	5,208	5,208
Disposal proceeds	-	(2,165)	(2,165)
Reclassification	(120)	120	-
Realised gains in the income statement	-	120	120
Unrealised losses in the income statement	(1,268)	(4,478)	(5,746)
Closing fair value at 31 March 2020	4,256	21,839	26,095
Retained investments at 31 March 2020			
Closing cost at 31 March 2020	5,815	27,704	33,519
Impairment losses at 31 March 2020	(2,825)	(8,465)	(11,290)
Unrealised gains at 31 March 2020	1,266	2,600	3,866
Closing fair value at 31 March 2020	4,256	21,839	26,095

Costs of acquisition of investments acquired during the year were nil (2019: nil) and transaction costs incurred in respect of investment disposals during the year were nil (2019: nil). A schedule disclosing the additions and disposals during the year is shown on page 10.

9. Investments (continued)

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 2020				31 March 2019			
	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	4,006	250	-	4,256	5,300	344	-	5,644
Loan notes	-	-	508	508	-	-	808	808
Unquoted shares	-	-	21,331	21,331	-	-	22,226	22,226
	4,006	250	21,839	26,095	5,300	344	23,034	28,678

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 2019	22,226	808	23,034
Movements in the income statement:			
Unrealised gains/(losses) in the income statement	(4,478)	-	(4,478)
Realised gains in the income statement	120	-	120
	(4,358)	-	(4,358)
Purchased at cost	5,208	-	5,208
Disposal proceeds	(1,865)	(300)	(2,165)
Reclassification	120	-	120
Balance at 31 March 2020	21,331	508	21,839

The investment in Servoca plc was reclassified in the year from Level 1 to Level 3 as Servoca plc is no longer quoted.

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

Valuation methodology	**2020 £'000**
Calibrating to the price of a recent investment	6,807
Multiple	15,032
	21,839

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 Board and the Investment Manager believe that the valuations as at 31 March 2020 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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2020

9. Investments (continued)

Significant interests

Details of shareholdings in those companies where the Company's holding, as at 31 March 2020, 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
Fords Packaging Topco Limited	MK42 7SH	Ordinary	77,706	42.2%	£4.2m	£1.3m
		Ordinary 'A'	23,394	100.0%		
Lyalvale Express Limited	WS13 8XA	Ordinary 'A'	95,210	100.0%	£9.6m	£0.7m
Macranet Limited	GU14 7JF	Ordinary	38,195	3.0%	£0.03m	*
		Ordinary 'A'	421,104	41.6%		
The National Solicitors Network Limited	SW6 4QP	Ordinary	194,709	24.7%	(£1.4m)	£0.04m
The QSS Group Limited	DE1 1UQ	Ordinary	125,329	44.4%	(£0.9m)	(£0.09m)

* Profit figures not publicly available.

10. Debtors

	31 Mar 2020 £'000	31 Mar 2019 £'000
Other debtors	2,400	43
Prepayments and accrued income	16	5
	2,416	48

11. Creditors: amounts falling due within one year

	31 Mar 2020 £'000	31 Mar 2019 £'000
Other creditors	94	131
Other taxes and social security	14	10
Accruals and deferred income	82	71
	190	212

12. Share capital

	31 Mar 2020 £'000	31 Mar 2019 £'000
Issued, allotted, called up and fully paid:		
79,934,164 (2019: 68,719,111) Ordinary Shares of 5p each	3,997	3,436

During the year the Company allotted 11,902,047 Ordinary Shares of 5p each ("Ordinary Shares") under an Offer for Subscription which launched in January 2019, at an average price of 58.67p per share. The gross proceeds of the Offer were £6.8 million with issue costs in respect of the Offer amounting to £185,000.

During the year, the Company purchased 686,994 shares for cancellation for an aggregate consideration of £366,000 at an average price of 53.34p per share (approximately equal to a 6.5% discount to the most recently published NAV at the time of purchase) and representing 1.0% of the issued share capital in issue at 1 April 2019.

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 18. 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 80% 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 3 October 2019, which sought to raise up to a maximum of £20.0 million. On 5 April 2020 25,854,564 new shares were issued, at an average price of 42.23p per share. The shares issued under the 2019 Offer increased the number of shares in issue by 32.3%, to 105,788,728 Ordinary shares.

13. Reserves

Distributable reserves are calculated as follows:

	31 Mar 2020 £'000	31 Mar 2019 £'000
Special reserve	18,713	22,545
Capital reserve – realised	776	2,174
Revenue reserve	(9)	(16)
Merger reserve – distributable element	423	423
Capital Reserve – unrealised: excluding unrealised unquoted gains	(3,545)	253
	16,358	25,379

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.

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 2020 Net asset value		31 March 2019 Net asset value	
	2020	2019	Pence per share	£'000	Pence per share	£'000
Ordinary Shares	79,934,164	68,719,111	46.0	36,743	56.7	38,969

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.

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.

15. Financial instruments (continued)

Market risks (continued)

Investment price risk (continued)

Quoted investments

The Company's sensitivity to fluctuations in the share prices of its quoted equity investments is summarised below. In light of the current volatile market conditions arising from the coronavirus pandemic, the Board has considered the reasonably possible market movements that should be illustrated with sensitivity analysis. A positive 20% movement and negative 50% movement (2019: 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		**Year ended 31 March 2020** +20% movement		-50% movement	
	Risk exposure £'000	**Impact on net assets/ return £'000**	**Impact on NAV per share Pence**	**Impact on net assets/ return £'000**	**Impact on NAV per share Pence**
Quoted investments	4,256	851	1.1	(2,128)	(2.7)

Sensitivity		**Year Ended 31 March 2019** +50% movement		-50% movement	
	Risk exposure £'000	**Impact on net assets/ return £'000**	**Impact on NAV per share Pence**	**Impact on net assets/ return £'000**	**Impact on NAV per share Pence**
Quoted investments	5,644	2,822	4.1	(2,822)	(4.1)

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. The loan notes in the investee companies would not be immediately impacted due to the nature of the security held, the relatively low residual term and no significant changes in risk premium.

As the unquoted investments are across a broad range of sectors and valued using different valuation techniques, it is not possible to create a meaningful analysis by changing one input or discount factor. The Board has considered the current volatile market conditions arising from the coronavirus pandemic in determining the reasonably possible market movements that should be illustrated within sensitivity analysis. Accordingly, the impact of a positive 20% and negative 50% movement (2019: 10% movement) in the price of these investments is considered to be a reasonable maximum level in a year and would have an effect as shown below:

Sensitivity		**Year ended 31 March 2020** +20% movement		-50% movement	
	Risk exposure £'000	**Impact on net assets/return £'000**	**Impact on NAV per share Pence**	**Impact on net assets/return £'000**	**Impact on NAV per share Pence**
Unquoted investments	21,331	4,266	5.3	(10,665)	(13.3)

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 March 2020

15. Financial instruments (continued)
Market risks (continued)
Investment price risk (continued)

Sensitivity		Year Ended 31 March 2019 +10% movement		-10% movement	
	Risk exposure £'000	Impact on net assets/return £'000	Impact on NAV per share Pence	Impact on net assets/return £'000	Impact on NAV per share Pence
Unquoted investments	22,226	2,223	3.2	(2,223)	(3.2)

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.

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.
- "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 2020 £'000	31 Mar 2019 £'000
Fixed rate	0.7%	1,387 days	508	808
Floating rate	0.4%		8,422	10,455
No interest rate		1 day*	27,813	27,706
			36,743	38,969

* 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 was been 0.1% per annum at 31 March 2020. 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.

15. Financial instruments (continued)

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 2020 £'000	31 Mar 2019 £'000
Fair value through profit or loss assets		
Investments in loan notes	508	808
Loans and receivables		
Cash and cash equivalents	8,422	10,455
	8,930	11,263

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 2020, there were no 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. (31 March 2019: £nil)

As at 31 March 2020 there were no loan stock balances whereby the principal amount had passed its maturity date (31 March 2019: £nil).

15. Financial instruments (continued)

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 2020: £190,000, 31 March 2019: £212,000) 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 2020, as analysed by expected maturity date, is as follows:

As at 31 March 2020	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	-	508
Past due loan stock	-	-	-	-	-	-	-
	-	-	-	-	508	-	508

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

Financial liabilities

The Company has no financial liabilities other than the creditors disclosed within the balance sheet (2019: none).

Currency exposure

As at 31 March 2020, the Company had no foreign investments (2019: none).

Borrowing facilities

The Company has no committed borrowing facilities as at 31 March 2020 (2019: 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, £848,000 (2019: £784,000) was due in respect of these services. No performance incentive fees were due to Elderstreet Investments Limited in respect of the year under review (2019: £nil). As at 31 March 2020, £nil (2019: £nil) was outstanding and payable.

Nicholas Lewis is a partner of Downing LLP, which provides administration services to the Company. During the year, £57,500 (2019: £50,000) was due to Downing LLP in respect of these services. As at 31 March 2020, £7,500 (2019: £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. The market value of those shares is nil and accordingly the debtor due from the Investment Manager is 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 25,854,564 Ordinary Shares of 5p each at an average price of 42.23p per Ordinary Share under the terms of the Offer for Subscription dated October 2019. The aggregate consideration for the shares was £11.0 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 11:00 a.m. on 22 September 2020. With social distancing still a significant issue and new government legislation introduced to give flexibility regarding general meetings, this year's AGM will be run as a closed meeting and Shareholders will not be able to attend in person. Shareholders are encouraged to vote by proxy (details given in the notes) 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 2020, together with the Report of the Auditor thereon.

2. To approve the Directors' Remuneration Report in respect of the year ended 31 March 2020.

3. To approve the Directors' Remuneration Policy.

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

5. 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.

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

7. To re-elect as Director, David Brock, 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 £2,500,000 (being approximately 47% of the current issued share capital) 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 15,762,520 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

31 July 2020

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) A member entitled to vote at the Annual General Meeting may appoint the Chairman as his proxy although the Chairman will not speak for the member.

(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 by email to devctagm@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 email to devctagm@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 the proxy appointment will remain valid.

(d) 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 2020 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 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 2020 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 vote at the Annual General Meeting.

(e) As at 9:00 a.m. on 31 July 2020, the Company's issued share capital comprised 105,788,728 Ordinary Shares and the total number of voting rights in the Company was 105,788,728. Information on the number of shares and voting rights can be found at www.downing.co.uk.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Members may not use any email 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 closed Annual General Meeting of the above-named Company to be held at 11:00 a.m. on 22 September 2020.

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) as my/our* proxy to attend for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held on 22 September 2020 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 Directors' Remuneration policy	☐	☐	☐
4. To approve the payment of a final dividend of 1.5p per share	☐	☐	☐
5. To re-appoint BDO LLP as the Auditor and authorise the Directors to determine their remuneration	☐	☐	☐
6. To re-elect Hugh Aldous as a Director	☐	☐	☐
7. To re-elect David Brock 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 ……………………………………………………………………………………… 2020

Signature(s) ………………………………………………………………………………/………………………………………………………………………………

*Delete as appropriate

Please return to DOWNING LLP in the pre-paid envelope provided, or email a scanned copy of the signed form to devctagm@downing.co.uk

Notes:

1. This year attendees of the meeting will be limited to Director Shareholders of the Company. A member entitled to vote at the meeting may only appoint the Chairman as his proxy as no other proxy will be permitted to attend the meeting. The Chairman will not speak for the member.

2. 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 by email to devctagm@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. 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

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