VenCap International plc

Annual Reports and Financial Statements

Registered number 2177941

31 December 2017

Contents

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of VenCap International plc (the "Company") is the supply of investment advisory services to institutional and corporate clients in the field of venture capital fund investment.

Results and dividends

The results for the year are set out on page 9.

The profit on ordinary activities after taxation for the year is £864,360 *(2016: £1,715,200)*. Dividends paid during the year comprise an interim dividend of £2,000,000 in respect of the current year. No final dividend in respect of the current year has been proposed.

Going concern basis

The directors consider it appropriate to prepare these financial statements on a going concern basis.

Directors

The directors who held office during the year were as follows:

Mrs A R Cooke
M D R Craig
T P Cruttenden
D J Gamble
S L Lasseter

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Simon L Lasseter
Director

Seacourt Tower
West Way
Oxford

19 March 2018

Strategic Report

The purpose of this Strategic Report is to inform members of the Company and help them assess how the directors have promoted the success of the Company.

Business Review

The content of the business review is set out under the following headings:

1 Background
2 Business Model
3 Strategy
4 Risk and uncertainties
5 Measurement/Key Performance Indicators
6 Current Period Performance
7 Application of the Remuneration Code
8 Looking to the future

1 Background

VenCap International plc, incorporated in 1987, has been investment advisor to the VenCap venture capital funds-of-funds since 1993 making it one of the oldest organisations in this niche investment area. The Company has also provided discretionary investment advice to individual institutional clients throughout its history. The Company is authorised and regulated by the Financial Conduct Authority (the "FCA").

2 Business Model

The Company aims to position itself as advising clients on global venture capital investment opportunities of the highest calibre. It is associated with raising pools of capital that it believes can be invested in such a way that investors will achieve a good rate of return compared with the public markets over the medium to long term, whilst at the same time reducing their exposure to risk through the fund-of-funds strategy. The majority of the Company's revenue is derived from investment advisory fees related to individual funds-of-funds. In addition, from time to time, the Company receives carried interest payments that arise when distributions are made to investors in funds where the investment return hurdle has been achieved. All of this performance-related revenue is allocated to staff and former members of staff and paid out to them as bonus payments. By its nature, the amount of carried interest revenue received can fluctuate widely from one year to another.

3 Strategy

The VenCap advised funds are long-term investment vehicles with a typical initial life of 10 to 12 years. The key resources deployed by the Company are its professionals who together have over 180 years of relevant experience.

During 2017 one VenCap fund-of-funds raised additional capital for investment through its continuing reinvestment programme, and will similarly aim to raise further capital during 2018. The Company has, in recent years, increased its focus on individual institutional clients or family offices that have an appetite for venture capital fund investment. As a consequence, the Company successfully raised capital in new tailored funds-of-funds vehicles during 2016, increasing advisory fee revenue through 2017. The Company remains encouraged by continued investor interest in the venture fund asset class and shall be aiming to raise further capital for investment in funds-of-funds in 2018.

4 Risk and uncertainties

As noted above, the Company is regulated by the FCA and accordingly has documented a detailed Internal Capital Adequacy Assessment Process, which is subject to monitoring and regular review. As part of this process, the various risks faced by the Company are regularly assessed by the senior management team. The directors have concluded that the main risks faced by the Company remain the failure to raise additional capital for investment, such that the existing investment advisory contracts fail to generate sufficient revenue to cover the Company's ongoing costs; or the failure of one or more investors to meet capital calls, due to liquidity problems, that might cause the termination of a fund-of-funds. This latter risk would be particularly significant for a tailored fund-of-funds if the main investor defaulted.

In addition, the Company faces the uncertainties that are common to all enterprises such as possible loss of key personnel, damage caused by loss of reputation or adverse market conditions. The precautions taken to mitigate such risks include appropriate incentives for key personnel, maintaining adequate liquid reserves and making business continuity arrangements to compensate where possible for local or national disruption to business.

Strategic Report *(continued)*

4 *Risk and uncertainties (continued)*

As noted under *Current Period Performance*, the Company secured new leasehold office space from October 2017 that it relocated to in early February 2018, leaving its formerly occupied office space at King Charles House vacant. This has resulted in a further onerous lease provision for the cost of the vacant space. The lease at King Charles House is due to end in November 2018.

The Company would be adversely affected if restrictions on liquidity were to drive down returns to investors for a significant period of time. Appetite for this sector is by nature cyclical but was particularly low in the years following the 2008 global economic crisis, when investors de-risked their investment portfolios and reduced commitments to alternative investments. The impact of the United Kingdom's referendum decision to leave the European Union is yet to be determined but uncertainties related thereto may cause investors to defer making new investment decisions or impact cross-border services or marketing. However, as outlined above, the directors consider that the Company's ongoing strategy means that, at the end of 2017, it continues to be well positioned to grow the business and continue to have investment capital to maintain access to the world's best investment funds.

The Company's business model is risk averse, with low credit and market risk, and known, medium to long-term index linked fee cash flows. The main financial risks that the Company is exposed to, and that arise in the normal course of business, are described below.

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company has limited credit risk from the non-payment of fees because most of its fees are derived from the investment funds it advises and the advisory fees are typically paid quarterly in advance. The Company also has a credit exposure to its banks but this is managed through diversification and considered a low risk. The Company has further mitigated this risk by investing in short term UK Government Treasury bills, which are low risk but generate little or no return on investment.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of market prices. The Company mitigates this risk by having established asset monitoring procedures, which are subject to review by the directors. The nature of Treasury bills eliminates the risk of fluctuating prices due to the known maturity value when a Treasury bill is purchased. The Company is also exposed to currency exchange rate risk because a proportion of its fees are US Dollar denominated and some operating expenses are denominated in non-sterling currencies. The Company mitigates this risk by monitoring exchange rates and may use short term forward contracts when judged appropriate.

Liquidity risk is the risk that the Company may be unable to meet its payment obligations as they fall due. The Company's liquidity policy is to maintain more than sufficient liquid resources to cover any cash flow requirements and the directors continually monitor income, expenditure and related cash flows to ensure that the Company has surplus liquid capital to meet its ongoing and future requirements.

5 *Measurement/Key Performance Indicators*

Given the nature of the business, the directors do not consider that return on capital employed is a key performance indicator for the Company.

Key Performance Indicator	2017	2016
Advisory fees per employee - £'000	182	186
Liquidity	102%	102%
Gearing	0%	0%
Average length of service – in years	10.7	9.5

Definition of Key Performance Indicators

Advisory fees per employee means total annual fees from investment advisory contracts divided by the average number of employees during the period.

Liquidity means total cash at bank and in hand and financial assets as at the balance sheet date divided by net assets at the same date.

Gearing means total loans and borrowings as at the balance sheet date divided by net assets at the same date.

Average length of service means the total number of years' service as at the balance sheet date divided by the number of employees in post at the same date.

Strategic Report *(continued)*

6 *Current Period Performance*

The continued growth of one VenCap fund and new investment commitments made by tailored funds-of-funds programmes have contributed increases in advisory fees in the year, although this has been offset by reductions in advisory fees relating to older funds. The advisory fees per employee have therefore decreased slightly. Nonetheless the Company's turnover for the year has slightly exceeded expectations. The Company's profit on ordinary activities before taxatiou has decreased primarily due to establishment costs relating to the onerous lease provision for vacant office space at King Charles House and a new leasehold office at Seacourt Tower.

The Company has paid an interim dividend of £2,000,000 during the year *(2016: £nil)* with a consequent reduction in the Company's asset base. The Company has retained sufficient liquid resources without the requirement for any gearing.

The Company retains an experienced team of core staff with relatively low staff turnover and a high level of experience in the sector.

The turnover for the year was £3,992,045 *(2016: £4,031,422)* generating profit on ordinary activities before taxation for the year of £1,073,376 *(2016: £2,160,333)*. Net assets as at 31 December 2017 were £10,076,434 *(2016: £11,212,074)*.

The Company moved into refurbished offices at King Charles House in February 2010 leaving a substantial proportion of the property vacant and available to let. During 2016, the Company successfully sub-let the surplus office space until October 2018. In October 2017 the Company secured new leasehold office premises at Seacourt Tower, Oxford to which the Company relocated in February 2018, leaving the remainder of the leasehold office at King Charles House vacant. The directors have accordingly continued to monitor the requirement for an onerous lease provision having regard to the remaining term of the lease at King Charles House, forecast service charges, and market conditions for commercial property in central Oxford. The directors have approved a net increase in the onerous lease provision of £168,251 to £232,536 *(2016: decrease of £1,014,814 to £64,285)*. The directors have also decided to increase the provision for dilapidations at the end of the lease at King Charles House to £150,000 *(2016: £100,000)*.

7 *Application of the Remuneration Code*

The Board has approved a remuneration policy for the Company in line with the requirements of the FCA's Remuneration Code (the "Code"). The Company is a "Proportionality Level Three firm" and, as such, complies with the Code in a way and to the extent that it is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

All remuneration policies are reviewed by the Company's Remuneration Committee, which is comprised of directors and is accountable to the Board. The Remuneration Committee, under its terms of reference, is required to establish, implement aud maintain remuneration policies, practices and procedures that are consistent with and promote effective risk management and comply with the Code.

Individual performance is formally monitored annually through a performance review. Performance is measured against financial and non-financial targets and can influence both fixed and variable remuneration, though both elements of remuneration remain subject to the overall performance of the business.

Financial performance measures are set and reviewed annually, if appropriate, by the Board and the Remuneration Committee, as part of the annual budget process to ensure they are in line with forecast levels of revenue and profitability.

Carried interest schemes are aligned with the interests of investors in the VenCap funds-of-funds and only vest upon the achievement of a performance hurdle to investors. The schemes are therefore long-term and conflicts of interest are avoided. No variable remuneration under a carried interest scheme becomes payable to Code Staff or other staff members unless the Company has itself received a corresponding incentive fee.

In 2017 the aggregate remuneration of the Company's Remuneration Code Staff was £778,096 *(2016: £886,367)* in Fund Investment (comprising £624,065 fixed and £154,031 variable remuneration between 6 Code Staff) *(2016: £627,544 fixed and £258,823 variable between 6 Code Staff)* and £383,550 *(2016: £388,366)* Finance aud Compliance (comprisiug £321,043 fixed and £62,507 variable remuneration between 3 Code Staff) *(2016: £304,080 fixed and £84,286 variable between 3 Code Staff)*.

Strategic Report *(continued)*

8 *Looking to the future*

The Company has contracts to provide investment advice to approximately US$1.7 billion *(2016: US$1.7 billion)* of assets under management. Economic conditions remained challenging during 2017, but the directors remain optimistic about the Company's prospects for growing assets under management and advisory fee revenues derived therefrom.

By order of the board

Simon L Lasseter
Director

Seacourt Tower
West Way
Oxford

19 March 2018

Statement of Directors' Responsibilities in Respect of the Annual Reports and the Financial Statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of VenCap International plc

We have audited the financial statements of VenCap International plc for the year ended 31 December 2017 set out on pages 9 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of VenCap International plc *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 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.

Sinead O'Reilly

Sinead O'Reilly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

19 March 2018

Statement of Income and Retained Earnings
for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	1	**3,992,045**	4,031,422
Cost of sales	2	**(1,967,247)**	(2,016,524)
Gross profit		**2,024,798**	2,014,898
Administrative expenses	4	**(1,311,237)**	(65,962)
Other operating income	5	**342,526**	205,237
Operating profit		**1,056,087**	2,154,173
Interest receivable and similar income	6	**21,682**	37,278
Interest payable and similar charges	7	**(4,393)**	(31,118)
Profit on ordinary activities before taxation		**1,073,376**	2,160,333
Tax on profit on ordinary activities	8	**(209,016)**	(445,133)
Profit for the financial year		**864,360**	1,715,200
Retained earnings at 1 January		**11,148,782**	9,433,582
Equity dividends paid	20	**(2,000,000)**	-
Retained earnings at 31 December		**10,013,142**	11,148,782

Balance Sheet
at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	9		328,027		137,748
Current assets					
Debtors	10	463,381		398,802	
Financial assets	11	3,054,923		3,063,818	
Cash at bank and in hand	12	7,208,528		8,371,500	
		10,726,832		11,834,120	
Creditors: amounts falling due within one year	13	(554,609)		(591,915)	
Net current assets			10,172,223		11,242,205
Total assets less current liabilities			10,500,250		11,379,953
Creditors: amounts falling due in more than one year	14		(15,674)		-
Provisions for liabilities	16		(408,142)		(167,879)
Net assets			10,076,434		11,212,074
Capital and reserves					
Called up share capital	17		50,050		50,050
Share premium account			13,242		13,242
Retained profit			10,013,142		11,148,782
Shareholders' funds			10,076,434		11,212,074

These financial statements were approved by the board of directors on 19 March 2018 and were signed on its behalf by:

Simon L Lasseter
Director

Company registered number 2177941

Cash Flow Statement
for the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit for the year		**864,360**	1,715,200
Adjustments to reconcile profit for the year to net cash flow from operating activities:			
Depreciation		**85,114**	84,083
Interest receivable and similar income		**(16,417)**	(27,682)
Interest payable and similar charges		**4,393**	95
Foreign exchange (gains)/losses		**(3,226)**	11,039
Gain on sale of tangible fixed assets		**(124)**	(414)
Taxation		**209,016**	445,133
Increase in trade and other debtors		**(55,047)**	(92,381)
Increase in trade and other creditors		**126,200**	133,634
Increase/(decrease) in provisions		**218,251**	(964,814)
Interest paid		**-**	(95)
Tax paid		**(344,336)**	(377,007)
Dividends paid	20	**(2,000,000)**	-
Net cash (outflow)/inflow from operating activities		**(911,816)**	926,791
Cash flows from investing activities			
Acquisition of tangible fixed assets	9	**(275,393)**	(13,009)
Proceeds from sale of tangible fixed assets		**124**	414
Interest received		**16,385**	25,368
Acquisition of financial assets	11	**(7,668,148)**	(12,530,384)
Proceeds from redemption of financial assets	11	**7,677,167**	14,470,924
Return on financial assets	11	**(4,517)**	7,426
Net cash (used in)/from investing activities		**(254,382)**	1,960,739
Net (decrease)/increase in cash		**(1,166,198)**	2,887,530
Cash at bank and in hand at 1 January		**8,371,500**	5,495,009
Effect of exchange rate fluctuations on cash held		**3,226**	(11,039)
Cash at bank and in hand at 31 December	12	**7,208,528**	8,371,500

Notes
(forming part of the financial statements)

1 Accounting policies

VenCap International plc is a company limited by shares and incorporated and domiciled in the UK with its registered office at Seacourt Tower, West Way, Oxford OX2 0JJ.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is sterling.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except for Treasury bills which are measured at transaction price (including transaction costs) and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses, and the onerous lease provision, which is calculated using discounted cash flows.

1.2 Going concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Income and Retained Earnings.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Cash at bank and in hand

Cash and cash equivalents comprise cash balances and short-term deposits.

Treasury bills

The Company classifies its Treasury bills as basic financial instruments. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which will be classified as non-current assets. When recognised, the assets are measured at transaction price (including transaction costs) and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses, with any return or loss being recognised in the Statement of Income and Retained Earnings.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to the Statement of Income and Retained Earnings on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets using the following rates:

Furniture and equipment	25-50% per annum
Fixtures and fittings	10-25% per annum
Leasehold improvements	Shorter of the lease term and 10% per annum

The Company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Impairment

Financial assets (including other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, the impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

1.7 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Income and Retained Earnings in the periods during which services are rendered by employees.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.9 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of investment advisory services to clients and are recognised during the year in which the services are provided.

1.10 Leases

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Statement of Income and Retained Earnings on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Lease incentives received are recognised in the Statement of Income and Retained Earnings over the term of the lease as an integral part of the total lease expense.

1.11 Interest receivable and interest payable

Interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains. Interest payable and similar charges include interest payable and net foreign exchange losses.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Timing differences between accumulated depreciation and tax allowances for the cost of a fixed asset are only provided for, if and when all conditions for retaining the tax allowances have been met, to the extent that it is probable that they will reverse in the foreseeable future and the Company is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 20 (*2016: 20*). The aggregate payroll costs of these persons, which are included in cost of sales, were as follows:

	2017	2016
	£	£
Wages and salaries	**1,589,217**	1,638,683
Social security costs	**187,437**	191,040
Contributions to defined contribution plans	**56,304**	52,169
	1,832,958	1,881,892

3 Directors' remuneration

	2017	2016
	£	£
Directors' remuneration	**680,370**	806,823
Company contributions to money purchase pension plans	**20,475**	21,875

The aggregate remuneration of the highest paid director was £304,149 *(2016: £319,198)* and, in addition, company pension contributions of £11,025 *(2016: £10,500)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Company personal pension scheme	**2**	3

Notes *(continued)*

4 Expenses and auditor's remuneration

Included in administrative expenses are the following:

	2017 £	2016 £
Operating lease rentals	**361,611**	333,401
Depreciation	**85,114**	84,083
Insurances	**64,907**	62,220

Auditor's remuneration:

	2017 £	2016 £
Amounts receivable by the Company's Auditor and tax advisor in respect of:		
Audit of these financial statements	**21,446**	21,118
Audit-related assurance services	**10,346**	10,045
Taxation compliance services	**19,740**	13,786

5 Other operating income

	2017 £	2016 £
Property rental income	**304,868**	181,556
Other income	**37,658**	23,681
	342,526	205,237

6 Interest receivable and similar income

	2017 £	2016 £
Bank interest receivable	**16,417**	24,309
Net foreign exchange gain	**4,927**	9,596
Unwind of discount on provisions	**338**	-
Return on Treasury bills	-	3,373
	21,682	37,278

7 Interest payable and similar charges

	2017 £	2016 £
Loss on Treasury bills	**4,393**	-
Other interest payable	-	95
Unwind of discount on provisions	-	31,023
	4,393	31,118

Notes *(continued)*

8 Taxation

Total tax expense recognised in the Statement of Income and Retained Earnings:

	2017 £	2017 £	2016 £	2016 £
Current tax				
Current tax on income for the period at 19.25% *(2016: 20.0%)*	196,504		463,085	
Total current tax		196,504		463,085
Deferred tax (see Note 15)				
Origination and reversal of timing differences	15,478		(18,534)	
Change in tax rate	(2,966)		582	
Total deferred tax		12,512		(17,952)
Total tax		209,016		445,133

	2017			2016		
	Current tax £	Deferred tax £	Total tax £	Current tax £	Deferred tax £	Total tax £
Recognised in Statement of Income and Retained Earnings	196,504	12,512	209,016	463,085	(17,952)	445,133
Total tax	196,504	12,512	209,016	463,085	(17,952)	445,133

Analysis of current tax recognised in Statement of Income and Retained Earnings:

	2017 £	2016 £
UK corporation tax	196,504	463,085
Total current tax recognised in Statement of Income and Retained Earnings	196,504	463,085

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate:

	2017 £	2016 £
Profit for the year	864,360	1,715,200
Total tax expense	209,016	445,133
Profit excluding taxation	1,073,376	2,160,333
Tax using the UK corporation tax rate of 19.25% *(2016: 20.0%)*	206,589	432,067
Reduction in tax rate on deferred tax balances	(2,966)	582
Non-deductible expenses	7,385	10,323
Unrecognised deferred tax asset on timing difference	(1,992)	2,161
Total tax expense included in Statement of Income and Retained Earnings	209,016	445,133

The Finance Act 2013 reduced the main rate of corporation tax from 20% to 19% with effect from 1 April 2017, and the Finance Act 2016 reduced it further to 17% with effect from 1 April 2020.

9 Tangible fixed assets

	Furniture and equipment £	Fixtures and fittings £	Leasehold improvements £	Total £
Cost				
Balance at 1 January 2017	131,236	76,044	599,021	806,301
Additions	16,590	-	258,803	275,393
Disposals	(37,037)	-	-	(37,037)
Balance at 31 December 2017	110,789	76,044	857,824	1,044,657
Depreciation				
Balance at 1 January 2017	117,334	75,242	475,977	668,553
Depreciation charge for the year	16,258	216	68,640	85,114
Disposals	(37,037)	-	-	(37,037)
Balance at 31 December 2017	96,555	75,458	544,617	716,630
Net book value				
At 1 January 2017	13,902	802	123,044	137,748
At 31 December 2017	**14,234**	**586**	**313,207**	**328,027**

Notes *(continued)*

10 Debtors

	2017 £	2016 £
Trade debtors	**78,083**	121,014
Other debtors	**76,078**	26,434
Deferred tax asset (see Note 15)	**28,500**	19,000
Prepayments and accrued income	**280,720**	232,354
	463,381	398,802

Included within trade debtors is £nil (*2016: £26,292*) expected to be recovered in more than 12 months.

11 Financial assets

	2017 £	2016 £
Financial assets at amortised cost		
0% UK Government Treasury Bill, 8 January 2018 (Nominal value: £1,500,000)	**1,500,021**	-
0% UK Government Treasury Bill, 4 June 2018 (Nominal value: £1,555,500)	**1,554,902**	-
0% UK Government Treasury Bill, 13 March 2017 (Nominal value: £1,947,900)	-	1,948,072
0% UK Government Treasury Bill, 3 April 2017 (Nominal value: £1,115,500)	-	1,115,746
	3,054,923	3,063,818

	2017 £	2016 £
Balance at 1 January	**3,063,818**	5,008,411
Acquisition of Treasury bills	**7,668,148**	12,530,384
(Loss)/return on Treasury bills	**(4,393)**	3,373
Redemption of Treasury bills	**(7,672,650)**	(14,478,350)
Balance at 31 December	**3,054,923**	3,063,818

12 Cash at bank and in hand

	2017 £	2016 £
Cash at bank and in hand	**5,189,428**	6,356,200
Short term deposits	**2,019,100**	2,015,300
Cash at bank and in hand	**7,208,528**	8,371,500

Notes *(continued)*

13 Creditors: Amounts falling due within one year

	2017	2016
	£	£
Trade creditors	**205,896**	53,514
Corporation tax	**95,253**	243,085
Taxation and social security	**62,587**	59,397
Accruals and deferred income	**190,873**	235,919
	554,609	591,915

14 Creditors: Amounts falling due after more than one year

	2017	2016
	£	£
Accruals and deferred income	**15,674**	-
	15,674	-

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	**2017**	2016	**2017**	2016
	£	£	**£**	£	**£**	£
Accelerated capital allowances	**-**	-	**25,606**	3,594	**25,606**	3,594
Other	**(28,500)**	(19,000)	**-**	-	**(28,500)**	(19,000)
Net deferred tax (assets)/liabilities	**(28,500)**	(19,000)	**25,606**	3,594	**(2,894)**	(15,406)

16 Provisions for liabilities

	Deferred tax	**Onerous lease provision**	**Dilapidations provision**	**Total**
	£	**£**	**£**	**£**
Balance at 1 January 2017	3,594	64,285	100,000	167,879
Provisions made during the year	22,012	199,428	50,000	271,440
Provisions used during the year	-	(30,839)	-	(30,839)
Unwinding of discounted amount	-	(338)	-	(338)
Balance at 31 December 2017	**25,606**	**232,536**	**150,000**	**408,142**

The Company has surplus office space at King Charles House for which it has a lease until 5 November 2018. During 2016, the Company sub-let this surplus office space until 5 October 2018 and the directors accordingly approved an onerous lease provision in respect of excess service charges until 5 October 2018, and the cost of the lease between 5 October and 5 November 2018. The directors accordingly have approved a revised onerous lease provision for the remainder of lease at 31 December 2017.

Notes *(continued)*

16 Provisions for liabilities *(continued)*

In October 2017, the Company signed a lease for new office premises at Seacourt Tower, which the Company occupied from 5 February 2018. Accordingly, the directors have approved an increase in the onerous lease provision in respect of the costs of the vacated leasehold office space at King Charles House.

The directors have additionally approved a provision for dilapidations in order to meet the Company's obligations at the end of the lease at King Charles House. The directors have estimated the potential dilapidations liability and shall set aside further provisions during the forthcoming year.

17 Capital and reserves

Share capital	"A" Ordinary shares of 10p each 2017 Number	Redeemable shares of 10p each 2017 Number
In issue at 1 January 2017 and 31 December 2017	**450,450**	50,050

	2017 £	2016 £
Allotted, called up and fully paid		
450,450 "A" Ordinary shares of 10p each	**45,045**	45,045
50,050 Redeemable shares of 10p each	**5,005**	5,005
Shares classified in shareholders' funds	**50,050**	50,050

The "A" Ordinary shares and the Redeemable shares rank pari passu in all respects except that the Redeemable shares have no voting rights and carry no rights to receive a dividend.

The Company may, at its option at any time during the period from 16 September 2008 to 15 September 2020, redeem all the Redeemable shares at par.

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £	2016 £
Less than one year	**282,249**	-
Between one and five years	**-**	615,650
More than five years	**1,225,570**	-
	1,507,819	615,650

During the year £361,611 *(2016: £333,401)* was recognised as an expense in the Statement of Income and Retained Earnings in respect of operating leases.

The Company has a lease for office space at King Charles House until 5 November 2018, with a statutory right to renew under the Landlord and Tenant Act 1954. Effective 2 October 2017, the Company signed a new ten year lease for office space at Seacourt Tower which it relocated to on 5 February 2018.

19 Capital commitments

Refurbishment of the Company's new office space at Seacourt Tower was completed in January 2018. As at 31 December 2017 the Company had outstanding capital commitments in respect of this refurbishment project of £103,325.

Notes *(continued)*

20 Dividends

	2017	2016
	£	£
Declared and paid during the year:		
Interim dividend for 2017	**2,000,000**	-
	2,000,000	-

21 Related party transactions

The Company provides advisory services to a company controlled by a shareholder. The value of services rendered to that company during the year was £3,923,155 *(2016: £3,971,083)*, of which £27,093 *(2016: £37,030)* is outstanding as at the balance sheet date. The fees charged during the year have been based upon existing commercial agreements between the two companies. In addition, expenses totalling £63,223 *(2016: £127,654)* have been recharged to that company of which £nil (*2016: £476*) is included in debtors.

22 Controlling party

The directors consider that M L Ashall has a controlling interest in the Company.

23 Subsequent events

The Directors have evaluated events and transactions that occurred through to 27 March 2018, the date the financial statements were signed. No items were noted that would require adjustments to the financial statements or additional disclosures.

Appendix 1 – Unaudited Pillar 3 Disclosures

European Capital Requirements Directive: Pillar 3 disclosures

VenCap International plc ("VenCap" or the "Company") is authorised and regulated by the UK Financial Conduct Authority. The Financial Conduct Authority ("FCA") has designed prudential rules for banks, building societies and investment firms to increase investor protection. These rules require VenCap to assess the adequacy of its capital resources given the risks the Company faces.

Important Notice:

The information included in this Appendix relates to VenCap International plc only, is unaudited and has been produced solely to meet the Pillar 3 disclosure requirements.

Introduction

These disclosures are made in accordance with the European Capital Requirements Directive ("CRD"). The FCA is responsible in the United Kingdom for the implementation of the CRD. The prudential framework for investment management firms consists of three 'pillars':

- **Pillar 1** sets out the minimum capital requirements for the investment firm to cover credit, market and operational risk.
- **Pillar 2** requires firms to undertake an overall assessment of their capital adequacy, taking into account the risks to which they are exposed and whether additional capital should be held to cover risks not adequately covered by Pillar 1 requirements.
- **Pillar 3** complements Pillars 1 and 2 by requiring firms to disclose information on their capital resources and requirements, governance and risk management framework. It also requires disclosure of a firm's remuneration policy for certain categories of staff.

This Appendix is designed to meet VenCap's **Pillar 3** obligations. Firms are permitted to omit disclosures if they believe the information is either immaterial or if the information could be regarded as proprietary or confidential.

Basis of disclosures

VenCap International plc is a BIPRU Limited Licence firm with a requirement to hold capital of at least €50,000. It is not authorised to hold customer assets, including client monies, and does not trade on its own account.

The Pillar 3 disclosures are required to be made at least annually and the disclosures made herein are based on the Company's financial position as at 31 December 2017.

Regulatory capital

As a BIPRU Limited Licence firm, VenCap's **Pillar 1** regulatory capital requirement is the greater of:

- its base capital requirement of €50,000; or
- the sum of its market and credit risk requirements; or
- its Fixed Overhead Requirement ("FOR").

VenCap has a relatively simple operational and regulatory framework. Consequently, VenCap's FOR exceeds the base capital requirement and the aggregate of its market and credit risk requirements. VenCap's capital requirement has, therefore, been determined by reference to its FOR, which has been calculated as £734k to 31 December 2017 *(2016: £415k)*. This constitutes **Pillar 1**.

The Board undertakes an overall assessment of the Company's capital adequacy, taking into account all risks to which the Company is exposed, including stress testing, to determine whether additional capital should be held to cover risks not adequately covered by the Pillar 1 requirement. This is the **Pillar 2** requirement and the Company documents an Internal Capital Adequacy Assessment Process ("ICAAP") accordingly.

The ICAAP is reviewed at least annually by the Board and may be requested for review by the FCA. The Company's risk appetite is low and accordingly it holds Core Tier 1 Capital comfortably in excess of the regulatory requirements under Pillar 1 and Pillar 2.

Appendix 1 – Unaudited Pillar 3 Disclosures *(continued)*

VenCap International plc's capital resources at 31 December 2017 are summarised as follows:

	£'000
Core Tier 1 Capital	**9,212**
Comprising	
Permanent share capital	50
Profit and loss account and other reserves	9,149
Share premium	13
Tier 2 Capital	-
Tier 3 Capital	-
Deduction for illiquid assets	(588)
Total capital after deductions	**8,624**
Fixed Overhead Requirement	734

Pillar 3 complements Pillars 1 and 2 by requiring firms to disclose information on their capital resources and requirements, governance and risk management framework. It also requires disclosure of a firm's remuneration policy for certain categories of staff, as follows:

Risk management framework

VenCap's directors determine the business strategy and risk appetite of the firm and have established a risk management framework appropriate for the size and nature of the Company's business.

The Company is engaged in the supply of investment advisory services to institutional and corporate clients in the field of venture capital fund investment, predominantly the family of VenCap venture capital funds-of-funds. The Company does not advise retail clients, does not hold customer assets nor hold client monies, and all assets managed or advised by VenCap are administered by independent third-party administrators and custodians.

The process of identifying, managing and monitoring risks, and assessing their impact upon the business is conducted at various levels within the Company. The risk management framework includes an Audit & Risk Committee, Remuneration Committee, Investment Committee and Treasury Committee reporting to the Board. The Company also determines and documents its ICAAP as part of this risk management framework.

The Company's business model is risk averse, with low credit and market risk, and known, medium to long-term index linked fee cash flows. The main risks to which VenCap is exposed are set out below.

Operational risk

Operational risk is the risk of loss arising from failed or inadequate internal processes or systems, human error or other factors. The risk is managed by the directors and senior management, who have responsibility for implementing appropriate controls for the business. The compliance function reviews the operation of these controls and reports to the Board.

The Company also has appropriate levels of professional indemnity, commercial legal protection, and key personnel insurances to mitigate against the impact of operational risks.

The Company is exposed to business continuity risk, however, the Company has a business continuity plan including remote system access and a backup office facility.

Market risk

Market risk includes the risks that arise from fluctuations in values of, or income from, assets or in interest rates or exchange rates. VenCap has low exposure to market risk because the Company's revenue is not exposed to market movements in the value of assets under management. VenCap has, over the years, mitigated against market risk by broadening its client base and the geographical market segments in which the VenCap funds-of-funds and clients invest. The Company has some exposure to exchange rate fluctuations as a proportion of its fees are US Dollar denominated.

Appendix 1 – Unaudited Pillar 3 Disclosures *(continued)*

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations as they fall due. VenCap has limited credit risk from the non-payment of fees because most of its fees are derived from the investment funds it advises and the advisory fees are typically paid quarterly in advance. VenCap also has a credit exposure to its banks but this is managed through diversification and considered a low risk. The Company has further mitigated this risk by investing in short term UK Government Treasury bills.

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its payment obligations as they fall due. VenCap's liquidity policy is to maintain more than sufficient liquid resources to cover any cash flow requirements.

VenCap continually monitors income, expenditure and related cash flows to ensure that the Company has surplus liquid capital to meet its ongoing and future requirements.

Regulatory risk

Regulatory risk is the risk that a change in the regulatory environment in which the Company conducts its business may affect VenCap's business significantly. The Company monitors regulatory developments as they affect the Company such that any changes in statutes, rules or guidance may be considered and incorporated into the Company's operating procedures, compliance monitoring and risk management framework, appropriately.

Remuneration Code

The Board has approved a remuneration policy for the Company in line with the requirements of the FCA's Remuneration Code (the "Code"). The Company is a "Proportionality Level Three firm" and, as such, complies with the Code in a way and to the extent that it is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

Further details of VenCap's remuneration process and policies are provided in section *7 **Application of the Remuneration Code*** of the directors' Strategic Report included within the Annual Reports and Financial Statements.

In 2017 the aggregate remuneration of the Company's Remuneration Code Staff was £778,096 *(2016: £886,367)* in Fund Investment (comprising £624,065 fixed and £154,031 variable remuneration between 6 Code Staff) *(2016: £627,544 fixed and £258,823 variable between 6 Code Staff)* and £383,550 *(2016: £388,366)* Finance and Compliance (comprising £321,043 fixed and £62,507 variable remuneration between 3 Code Staff) *(2016: £304,080 fixed and £84,286 variable between 3 Code Staff)*.