VenCap International plc

Annual Reports and Financial Statements

Registered number 2177941

31 December 2018

Contents

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

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 £612,297 *(2017: £864,360)*. No dividends were paid during the year (2017: £2,000,000).

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

Since the year end Mr Craig has given notice of his intention to resign as director effective 5 May 2019.

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

26 March 2019

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 most experienced 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, to be 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 190 years of relevant experience.

During 2018 one VenCap fund-of-funds raised additional capital for investment through its continuing reinvestment programme and will similarly aim to raise further capital during 2019. The Company has, in recent years, had an increased focus on individual institutional clients or family offices that have an appetite for venture capital fund investment. As a consequence, the Company successfully raised further capital in new tailored funds-of-funds vehicles during 2018, with a resultant contribution to advisory fee revenue. The Company remains encouraged by continued investor interest in the asset class and shall be aiming to raise new capital for investment in venture capital and growth funds-of-funds in 2019.

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 are:

- 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;
- an increased dependence on US Dollar denominated advisory fees as a proportion of total revenues, that may be adversely affected by exchange rate fluctuations; and
- 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.

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 the venture capital and growth fund asset class 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.

Strategic Report *(continued)*

4 *Risk and uncertainties (continued)*

The impact of the United Kingdom's referendum decision to leave the European Union ("Brexit") remains unclear but uncertainties related thereto may cause investors, in the United Kingdom and Europe in particular, to be more cautious and defer making new investment decisions, as well as impact cross-border services or marketing. However, the funds that the Company provides investment advice for are predominantly managed and domiciled in "third country" jurisdictions outside the European Union and are not marketed to retail investors. The marketing of such funds to appropriate European investors is accordingly well understood and, whilst it still remains unclear whether the United Kingdom will become a "third country" jurisdiction and the regulatory impact Brexit may have, the greater impact upon raising new funds is likely to be due to negative impacts on market confidence. Whilst recognising that such uncertainties may make fundraising more challenging, the Company has sufficient liquid capital and established long term revenue streams to withstand this continuing period of uncertainty for some time. Accordingly, the directors consider that the Company's ongoing strategy means that, at the end of 2018, it continues to be well positioned to grow the business and continue to have investment capital to maintain access to some of the world's best venture capital funds.

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.

As noted under *Current Period Performance*, the Company secured new leasehold office space at Seacourt Tower from October 2017 that it relocated to in early February 2018. The lease at King Charles House was due to end in November 2018 but the Company successfully negotiated a surrender of the lease in July 2018, resulting in the removal of any further exposure to an onerous lease and uncertain dilapidations costs.

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. Whilst the Company has an amount of performance fees that may be received in more than one year, these are matched by the associated liability to pay staff and former staff that shall only be paid if and when the fees are ultimately received. 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 exposed to currency exchange rate risk because a significant proportion of its fees are US Dollar denominated, whilst only 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	**2018**	**2017**
Advisory fees per employee - £'000	167	182
Liquidity	99%	102%
Gearing	0%	0%
Average length of service – in years	10.4	10.7

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.

Strategic Report *(continued)*

5 *Measurement/Key Performance Indicators (continued)*

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.

6 *Current Period Performance*

The turnover for the year was £4,758,994 *(2017: £3,992,045)* generating profit on ordinary activities before taxation for the year of £785,730 *(2017: £1,073,376)*. Net assets as at 31 December 2018 were £10,688,731 *(2017: £10,076,434)*.

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. The Company's total turnover for the year has exceeded expectations due mainly to performance fees becoming due from one fund. This additional turnover was offset by the associated incentives due to staff and former staff, together with the related National Insurance contributions thereon.

The Company's profit on ordinary activities exceeded expectations, helped by the early surrender of the lease at King Charles House. 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 continued to monitor the requirement for an onerous lease provision having regard to the remaining term of the lease at King Charles House to November 2018, forecast service charges, and market conditions for commercial property in central Oxford. Accordingly, the directors increased the onerous lease provision by £9,081 as a result of service charge increases *(2017: increase of £168,251 to £232,536)* prior to the negotiation of an early surrender of the lease in July 2018. The Company consequently utilised £218,200 of the onerous lease provision and reversed £24,535 upon surrender of the lease. Having provided £150,000 at 31 December 2017 for dilapidations at the end of the lease, the Company settled the dilapidations at £110,000 upon surrendering the lease.

The Company has not paid an interim dividend during the year *(2017: £2,000,000)*. The Company has retained sufficient liquid resources without the requirement for any gearing.

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 and 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. Variable remuneration under a carried interest scheme becomes payable to Code Staff and/or other staff members upon the Company itself being due to receive the corresponding incentive fee.

In 2018, the aggregate remuneration of the Company's Remuneration Code Staff was £1,280,714 *(2017: £778,096)* in Fund Investment (comprising £645,176 fixed and £635,538 variable remuneration between 6 Code Staff) *(2017: £624,065 fixed and £154,031 variable between 6 Code Staff)* and £631,488 *(2017: £383,550)* Finance and Compliance (comprising £328,432 fixed and £303,055 variable remuneration between 3 Code Staff) *(2017: £321,043 fixed and £62,507 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 *(2017: US$1.7 billion)* of assets under management. Economic conditions remained challenging during 2018, 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

26 March 2019

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 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of VenCap International Plc ("the company") for the year ended 31 December 2018 which comprise the Statement of Income and Retained Earnings, Balance Sheet, Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of long term debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; 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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

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

1 April 2019

Statement of Income and Retained Earnings
for the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover		**4,758,994**	3,992,045
Cost of sales	*2*	**(3,394,866)**	(1,967,247)
Gross profit		**1,364,128**	2,024,798
Administrative expenses	*4*	**(926,335)**	(1,311,237)
Other operating income	*5*	**300,521**	342,526
Operating profit		**738,314**	1,056,087
Interest receivable and similar income	*6*	**48,534**	21,682
Interest payable and similar charges	*7*	**(1,118)**	(4,393)
Profit on ordinary activities before taxation		**785,730**	1,073,376
Tax on profit on ordinary activities	*8*	**(173,433)**	(209,016)
Profit for the financial year		**612,297**	864,360
Retained earnings at 1 January		**10,013,142**	11,148,782
Equity dividends paid	*20*	**-**	(2,000,000)
Retained earnings at 31 December		**10,625,439**	10,013,142

Balance Sheet
at 31 December 2018

	Note	**2018**	**2018**	2017	2017
		£	**£**	**£**	**£**
Fixed assets					
Tangible assets	*9*		**448,238**		328,027
Current assets					
Debtors (including £617,503 (2017: £nil) due after more than one year)	*10*	927,767		463,381	
Financial assets	*11*	**3,062,002**		3,054,923	
Cash at bank and in hand	*12*	**7,545,325**		7,208,528	
		11,535,094		10,726,832	
Creditors: amounts falling due within one year	*13*	**(546,144)**		(554,609)	
Net current assets			**10,988,950**		10,172,223
Total assets less current liabilities			**11,437,188**		10,500,250
Creditors: amounts falling due in more than one year	*14*		**(711,726)**		(15,674)
Provisions for liabilities	*16*		**(36,731)**		(408,142)
Net assets			**10,688,731**		10,076,434
Capital and reserves					
Called up share capital	*17*		**50,050**		50,050
Share premium account			**13,242**		13,242
Retained profit			**10,625,439**		10,013,142
Shareholders' funds			**10,688,731**		10,076,434

These financial statements were approved by the board of directors on 26 March 2019 and were signed on its behalf by:

Simon L Lasseter
Director

Cash Flow Statement
for the year ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit for the year		**612,297**	864,360
Adjustments to reconcile profit for the year to net cash flow from operating activities:			
Depreciation		**111,963**	85,114
Interest receivable and similar income		**(44,913)**	(16,417)
Interest payable and similar charges		**-**	4,393
Foreign exchange losses/(gains)		**3,370**	(3,226)
Loss/(gain) on sale of tangible fixed assets		**24,728**	(124)
Taxation		**173,433**	209,016
Increase in trade and other debtors		**(377,824)**	(55,047)
Increase in trade and other creditors		**596,379**	126,200
(Decrease)/increase in provisions		**(382,536)**	218,251
Tax paid		**(155,253)**	(344,336)
Dividends paid	*20*	**-**	(2,000,000)
Net cash inflow/(outflow) from operating activities		**561,644**	(911,816)
Cash flows from investing activities			
Acquisition of tangible fixed assets	*9*	**(260,296)**	(275,393)
Proceeds from sale of tangible fixed assets		**3,394**	124
Interest received		**35,840**	16,385
Acquisition of financial assets	*11*	**(6,115,415)**	(7,668,148)
Proceeds from redemption of financial assets	*11*	**6,111,889**	7,677,167
Return on financial assets	*11*	**3,111**	(4,517)
Net cash used in investing activities		**(221,477)**	(254,382)
Net increase/(decrease) in cash		**340,167**	(1,166,198)
Cash at bank and in hand at 1 January		**7,208,528**	8,371,500
Effect of exchange rate fluctuations on cash held		**(3,370)**	3,226
Cash at bank and in hand at 31 December	*12*	**7,545,325**	7,208,528

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 consequential uncertainties in the political and economic environment resulting from the United Kingdom's referendum decision to leave the European Union are likely to make raising new investment funds more challenging but the Company has long-term revenue streams and liquid reserves that enable it to withstand the effects of adverse market volatility in the short to medium term. 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. Performance fees are recognised during the year in which the fees become due.

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 (*2017: 20*). The aggregate payroll costs of these persons, which are included in cost of sales, were as follows:

	2018	2017
	£	£
Wages and salaries	**2,795,214**	1,589,217
Social security costs	**357,903**	187,437
Contributions to defined contribution plans	**57,606**	56,304
	3,210,723	1,832,958

3 Directors' remuneration

	2018	2017
	£	£
Directors' remuneration	**1,309,527**	680,370
Company contributions to money purchase pension plans	**20,680**	20,475

The aggregate remuneration of the highest paid director was £652,645 *(2017: £304,149)* and, in addition, company pension contributions of £11,135 *(2017: £11,025)* were made to a money purchase scheme on his behalf. Included in his remuneration for the year is £185,575 (*2017: £nil*) relating to an incentive scheme that is only payable when the Company has received the related performance fee (see also Notes 10 and 14).

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Company personal pension scheme	**2**	2

Notes *(continued)*

4 Expenses and auditor's remuneration

Included in administrative expenses are the following:

	2018 £	2017 £
Operating lease rentals	**390,768**	361,611
Depreciation	**111,963**	85,114
Insurances	**68,946**	64,907

Auditor's remuneration:

	2018 £	2017 £
Amounts receivable by the Company's Auditor and tax advisor in respect of:		
Audit of these financial statements	**24,137**	21,446
Audit-related assurance services	**11,411**	10,346
Taxation compliance services	**23,461**	19,740

5 Other operating income

	2018 £	2017 £
Property rental income	**281,120**	304,868
Other income	**19,401**	37,658
	300,521	342,526

6 Interest receivable and similar income

	2018 £	2017 £
Bank interest receivable	**38,249**	16,417
Return on Treasury bills	**6,664**	-
Net foreign exchange gain	**3,621**	4,927
Unwind of discount on provisions	**-**	338
	48,534	21,682

7 Interest payable and similar charges

	2018 £	2017 £
Unwind of discount on provisions	**1,118**	-
Loss on Treasury bills	**-**	4,393
	1,118	4,393

Notes *(continued)*

8 Taxation

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

	2018 £	2018 £	2017 £	2017 £
Current tax				
Current tax on income for the period at 19% *(2017: 19.25%)*	**246,461**		196,504	
Total current tax		**246,461**		196,504
Deferred tax (see Note 15)				
Origination and reversal of timing differences	**(84,979)**		15,478	
Change in tax rate	**11,951**		(2,966)	
Total deferred tax		**(73,028)**		12,512
Total tax		**173,433**		209,016

	2018			2017		
	Current tax £	**Deferred tax £**	**Total tax £**	Current tax £	Deferred tax £	Total tax £
Recognised in Statement of Income and Retained Earnings	**246,461**	**(73,028)**	**173,433**	196,504	12,512	209,016
Total tax	**246,461**	**(73,028)**	**173,433**	196,504	12,512	209,016

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

	2018 £	2017 £
UK corporation tax	**246,461**	196,504
Total current tax recognised in Statement of Income and Retained Earnings	**246,461**	196,504

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate:

	2018 £	2017 £
Profit for the year	**612,297**	864,360
Total tax expense	**173,433**	209,016
Profit excluding taxation	**785,730**	1,073,376
Tax using the UK corporation tax rate of 19% *(2017: 19.25%)*	**149,289**	206,589
Reduction in tax rate on deferred tax balances	**11,951**	(2,966)
Non-deductible expenses	**12,689**	7,385
Unrecognised deferred tax asset on timing difference	**(473)**	(1,992)
Over provided in prior years	**(23)**	-
Total tax expense included in Statement of Income and Retained Earnings	**173,433**	209,016

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 2018	110,789	76,044	857,824	1,044,657
Additions	41,773	109,921	108,602	260,296
Disposals	(4,330)	(64,083)	(599,020)	(667,433)
Balance at 31 December 2018	148,232	121,882	367,406	637,520
Depreciation				
Balance at 1 January 2018	96,555	75,458	544,617	716,630
Depreciation charge for the year	26,126	24,105	61,732	111,963
Disposals	(4,167)	(64,083)	(571,061)	(639,311)
Balance at 31 December 2018	118,514	35,480	35,288	189,282
Net book value				
At 1 January 2018	14,234	586	313,207	328,027
At 31 December 2018	**29,718**	**86,402**	**332,118**	**448,238**

Notes *(continued)*

10 Debtors

	2018	2017
	£	£
Trade debtors	**705,565**	78,083
Other debtors	**14,257**	76,078
Deferred tax asset (see Note 15)	**112,653**	28,500
Prepayments and accrued income	**95,292**	280,720
	927,767	463,381

Included within trade debtors is £617,503 (*2017: £nil*) related to performance fees expected to be received in more than one year. The precise timing of receipt is not within the Company's control and is dependent upon the amount of potential clawback liabilities that may arise in underlying investments of the fund to which the performance fee relates. Accordingly, a proportion of these performance fees may be received in less than one year.

11 Financial assets

	2018	2017
	£	£
Financial assets at amortised cost		
0% UK Government Treasury Bill, 7 January 2019 (Nominal value: £1,505,000)	**1,504,891**	-
0% UK Government Treasury Bill, 3 June 2019 (Nominal value: £1,560,250)	**1,557,111**	-
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
	3,062,002	3,054,923

	2018	2017
	£	£
Balance at 1 January 2018	**3,054,923**	3,063,818
Acquisition of Treasury bills	**6,115,415**	7,668,148
Return/(loss) on Treasury bills	**6,664**	(4,393)
Redemption of Treasury bills	**(6,115,000)**	(7,672,650)
Balance at 31 December 2018	**3,062,002**	3,054,923

12 Cash at bank and in hand

	2018	2017
	£	£
Cash at bank and in hand	**4,015,375**	5,189,428
Short term deposits	**3,529,950**	2,019,100
Cash at bank and in hand	**7,545,325**	7,208,528

Notes *(continued)*

13 Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	**60,651**	205,896
Corporation tax	**186,461**	95,253
Taxation and social security	**69,296**	62,587
Accruals and deferred income	**229,736**	190,873
	546,144	554,609

14 Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Accruals and deferred income	**711,726**	15,674
	711,726	15,674

Included within accruals and deferred income is an amount of £677,245 (*2017: £nil*) of carried interest, and related National Insurance Contributions thereon, payable to staff and former staff that shall be paid following receipt of the related performance fee income (see Note 10).

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 £	2017 £	**2018 £**	2017 £	**2018 £**	2017 £
Accelerated capital allowances	**-**	-	**36,731**	25,606	**36,731**	25,606
Other	**(112,653)**	(28,500)	**-**	-	**(112,653)**	(28,500)
Net deferred tax (assets)/liabilities	**(112,653)**	(28,500)	**36,731**	25,606	**(75,922)**	(2,894)

16 Provisions for liabilities

	Deferred tax £	Onerous lease provision £	Dilapidations provision £	Total £
Balance at 1 January 2018	25,606	232,536	150,000	408,142
Provisions made during the year	11,125	9,081	27,938	48,144
Provisions used during the year	-	(218,200)	(110,000)	(328,200)
Provisions reversed during the year	-	(24,535)	(67,938)	(92,473)
Unwinding of discounted amount	-	1,118	-	1,118
Balance at 31 December 2018	**36,731**	**-**	**-**	**36,731**

In October 2017, the Company signed a ten-year lease for new office premises at Seacourt Tower, which the Company occupied from 5 February 2018. Accordingly, the directors approved a provision for dilapidations in order to meet the Company's obligations at the end of the lease at King Charles House, which was due to end in November 2018. Following the successful

Notes *(continued)*

16 Provisions for liabilities *(continued)*

negotiation of an early surrender of the lease at King Charles House in July 2018, together with settlement of dilapidations, no onerous lease provision and no dilapidations provision are required at 31 December 2018.

17 Capital and reserves

Share capital	**"A" Ordinary shares of 10p each 2018 Number**	**Redeemable shares of 10p each 2018 Number**
In issue at 1 January 2018 and 31 December 2018	**450,450**	50,050

	2018 £	2017 £
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 Redeemable shares have no voting rights and carry no rights to receive a dividend. The "A" Ordinary shares and the Redeemable shares otherwise rank pari passu in all respects.

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:

	2018 £	2017 £
Less than one year	-	282,249
Between one and five years	-	-
More than five years	**1,097,058**	1,225,570
	1,097,058	1,507,819

During the year £390,768 *(2017: £361,611)* was recognised as an expense in the Statement of Income and Retained Earnings in respect of operating leases.

The Company has a ten-year lease for office space at Seacourt Tower until 1 October 2027, with a statutory right to renew under the Landlord and Tenant Act 1954.

19 Capital commitments

Refurbishment of the Company's new office space at Seacourt Tower was completed in January 2018. As at 31 December 2018 the Company had outstanding capital commitments in respect of this refurbishment project of £10,086 *(2017: £103,325)*.

Notes *(continued)*

20 Dividends

	2018	2017
	£	£
Declared and paid during the year:		
Interim dividend	-	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 including performance fees was £4,688,401 *(2017: £3,923,155)*, of which £631,418 *(2017: £27,093)* 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 £93,261 *(2017: £63,223)* have been recharged to that company of which £46,880 (*2017: £nil*) 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 26 March 2019, 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 2018.

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 £665k to 31 December 2018 *(2017: £734k)*. 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 2018 are summarised as follows:

	£'000
Core Tier 1 Capital	**10,688**
Comprising	
Permanent share capital	50
Profit and loss account and other reserves	10,625
Share premium	13
Tier 2 Capital	-
Tier 3 Capital	-
Deduction for illiquid assets	(1,246)
Total capital after deductions	**9,442**
Fixed Overhead Requirement	**665**

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 significant proportion of its fees are now 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. The regulatory impact of the United Kingdom's referendum decision to leave the European Union remains uncertain.

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 2018, the aggregate remuneration of the Company's Remuneration Code Staff was £1,280,714 *(2017: £778,096)* in Fund Investment (comprising £645,176 fixed and £635,538 variable remuneration between 6 Code Staff) *(2017: £624,065 fixed and £154,031 variable between 6 Code Staff)* and £631,488 *(2017: £383,550)* Finance and Compliance (comprising £328,432 fixed and £303,055 variable remuneration between 3 Code Staff) *(2017: £321,043 fixed and £62,507 variable between 3 Code Staff).*