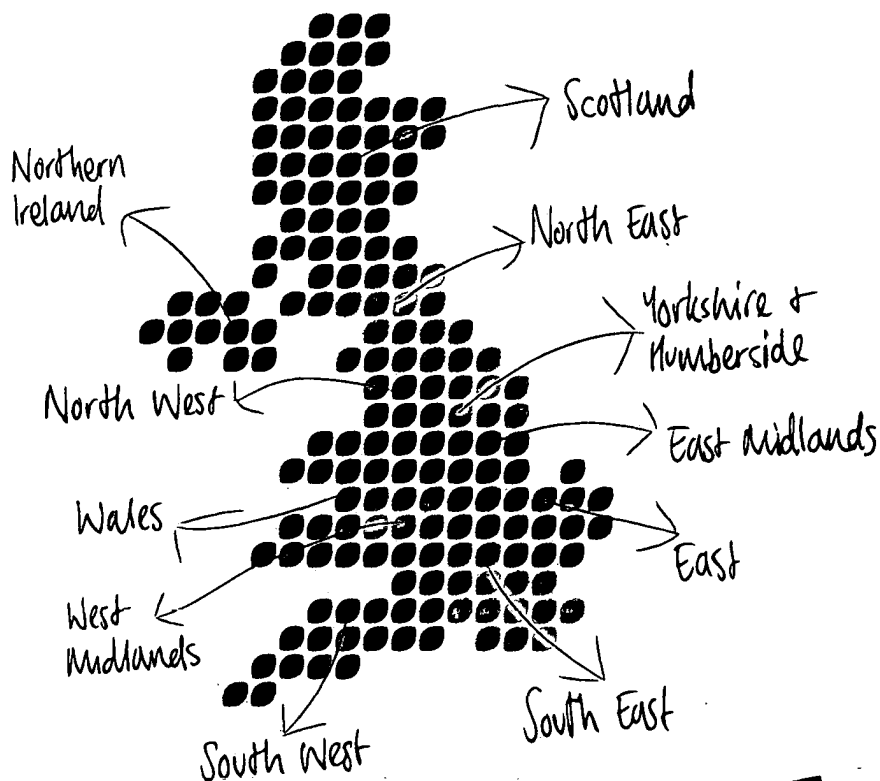




**Business Growth Fund Plc**

**Annual reports and financial statements**

**For the year ended 31 December 2016**



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## Company information

## Business Growth Fund Plc

Company registration number

07514847

Registered Office

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WC2N 6JU

Auditor

KPMG LLP  
15 Canada Square  
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E14 5GL

Banker

Barclays Bank Plc  
One Churchill Place  
London  
E14 5HP

2016 was unquestionably an extraordinary year. Whilst the unexpected sometimes felt it was becoming the norm, that didn't make it any easier for business to navigate such uncertain waters. I am a firm believer that over the long-term uncertainty can be a significant driver of innovation and entrepreneurship, but more immediately it can too often lead to indecision and inaction.

That is why I am so proud of the fortitude shown by BGF's investors across the UK and the companies that they have backed. Our performance in 2016 – and in particular our record investment levels measured in both companies supported and quantum invested – demonstrate an ability to take even the biggest surprises in our stride.

This could so easily have been a year in which we slowed down. I am pleased to say we didn't.

Looking ahead, we will work hard to continue in this vein. Whilst growing businesses will be affected in different ways and to varying degrees during the Brexit negotiations and beyond, our long-term approach means that we have no intention of slowing down our new activity or support for the companies we back.

### **Performance**

2016 was the year that BGF celebrated five years, we passed the landmark of £1 billion of capital committed in growing UK companies and we firmly established ourselves as the leading provider of long-term capital in the UK.

We have now backed over 170 companies, who are busy creating, making, innovating, investing and hiring. Their activities cross almost every sector of the economy, and this year we've added companies involved with big data, robotics, infrastructure, nursery care and furniture design to our portfolio. Collectively, the businesses we back employ more than 30,000 people; this is a number which would make them the UK's eighth largest private business employer.

This was the second year in which we made an operating profit (£845,000) demonstrating a robust and scalable business model that can cover its own operating costs, with overall profit after taxation of £0.5m reduced from £10.35m in 2015. It is, of course, far too early to make claims about future capital growth across the portfolio – that is the nature of long-term, patient investing – however, the valuations of each vintage (by year invested) and any respective provisions are in line with expectations at this stage.

### **Board and executive changes**

A number of changes in Board membership occurred in 2016. Audrey Baxter, Karen Bothwell, Richard Holmes and Alan Turner retired from the Board; Alice Avis, Diana Noble, Adrian White and Kevin Wall joined.

Audrey had served BGF as a Non-Executive Director for five years, since we launched in May 2011, and her invaluable contributions and the experience she brought as a highly successful business owner were greatly appreciated during this time.

Following the departure of John Burgess in late 2015 that left us with two non-executive posts to fill, and Alice Avis and Diana Noble (member of the Audit and Risk Committee and Remuneration Committee) were duly appointed to the Board during 2016. Alice brings direct entrepreneurial and commercial experience from her time as chief executive and chair of The Sanctuary Spa, and senior marketing roles with Diageo and M&S. Diana is currently chief executive of CDC, the UK's development finance institution, and brings in depth knowledge of private equity and venture capital.

Our four main shareholders – Barclays, HSBC, Lloyds Banking Group and RBS – each have a representative on the Board. For Lloyds, Adrian White took over from Karen Bothwell, and Alan Turner was replaced by Kevin Wall for Barclays. In addition, Richard Holmes who has represented Standard Chartered retired. Standard Chartered also gave up their board position as planned. I would like to express my gratitude to Karen, Alan and Richard for their commitment and input over the last few years. We are fortunate to have such an engaged and experienced board.

As BGF continues to grow and develop we have also made changes to the day to day operational structure. Of note is the move away from our original five regions to a flatter structure with greater devolved authority, more directly based around our current nine UK offices with a more straightforward split between the North and the

South regions. We will maximise our impact and scalability by focusing on empowering our high performance local teams and building their capabilities. BGF is powered by the hard work and commitment of all its people.

### **Continued growth and opportunity**

With Britain going it alone, and with boosting regional growth a government priority, I believe that BGF has never been more relevant. Combine this with a new commitment to supporting Britain's most rapidly evolving sectors and an ever-growing bank of portfolio success stories, and it is clear that 2017 is a year of further opportunity for BGF.

BGF has come a long way, far further than many imagined possible. Founded to support small and mid-sized high potential businesses during a difficult economic climate in 2011, BGF is now the UK's most active provider of growth capital.

This has meant that small and mid-sized businesses across the country, connected by BGF's nine regional offices, have been able to seize opportunities, become more ambitious, take new risks and scale up. This has created jobs – the portfolio employs over 30,000 people – and made a lasting, positive impact both locally and nationally.

Despite this initial progress, BGF has no intention of standing still. The company is just as ambitious as the businesses it invests in. 2016 represented a serious step forward on many fronts with record levels of activity, and in 2017 BGF will continue broadening its horizons.

This matters, because growing does not just help BGF, other businesses grow with it – new investments are made and new opportunities created.

Rightly, the Government's Industrial Strategy consultation, published in early 2017, recognises small and mid-sized businesses as the lifeblood of the British economy and the key to boosting innovation and productivity. And the Treasury's Patient Capital Review, chaired by Sir Damon Buffini, identifies long-term capital as a critical driver of these companies' success.

This has been central to our philosophy since inception; we are passionate about helping these businesses grow, improve and do things differently. We are proud to have been positively identified in the Industrial Strategy Green Paper, and asked to directly contribute our knowledge and experience to the formulation of the new Industrial Strategy and the Patient Capital Review.

### **Performance**

We also know first-hand, the constant challenge of running a fast-growing business. 2016 was very definitely our most productive year yet.

Last year's exceptional investment activity was not the outcome of an unprecedented sequence of events, but rather the result of all the detailed work we have undertaken since 2011 to build a significant nationwide infrastructure and ensure that our promise of long-term funding and support is heard and understood.

In total, BGF provided £376m in funding to UK smaller and mid-sized companies in 2016, up from £248m the previous year. A total of 59 deals were completed in the year, compared to 31 in 2015.

We were the UK's top institutional investor in Q3 and Q4, with Pitchbook ranking BGF as the 7th most active private investor in the world in 2016, based on number of deals completed. These numbers show the potential we are now starting to create.

And despite the uncertainty surrounding the EU Referendum vote and a national slowdown in investment activity since June 2016, the second half of the year was BGF's most active ever. The year ended on a high: £108m was invested in Q4, an all-time record quarter for BGF; and £48m in December alone.

Critically, as a long-term patient capital investor, BGF provided significant additional funding to existing investee companies – more than £112m was provided in follow-on investments to existing BGF-backed businesses to support further growth, at home and abroad, across all sectors. This included additional investment for Gymbox, which has opened three new sites following BGF's initial investment in July 2014, and The Coaching Inn Group, whose revenues have increased by a third over the past six months. BGF's initial investment of £4.5 million in March 2015 has helped the Group to purchase and operate an additional six properties.

Of course, pace of investment isn't the only way to measure our productivity.

Five successful exits were completed in 2016, including, Molecular Products, which was acquired by a US private equity firm. This deal, like the four that preceded it, resulted in a successful outcome for all shareholders and the returns made by BGF will now be reinvested into other growing companies, a true virtuous circle.

The nature of risk capital means that not every investment will go according to plan, which is of course the very rationale for building a business with the right mix of debt and equity, and where BGF can make a real difference. In 2016 we had six companies leave the portfolio without making positive returns. It is never comfortable to fail, but we recognise that not every strategy will work and not every new venture will succeed. Our duty is to make the very best assessment of risk at the outset, and to learn every possible lesson from our failures as well as our successes. That's just as important for the entrepreneurs that we back. In each case I am enormously proud of how hard BGF investors worked, alongside the executive management teams, to save jobs and protect customers and suppliers where possible. If we are to build a far greater culture of equity investment in the UK we need everyone to recognise that growth and ambition come with rewards but also risk. Assessing this together with management teams, in an aligned and focussed way is essential, though success can never be taken for granted. The UK still lags the US in terms of this critical recognition of an entrepreneurial economy...sometimes it is better for a business to fail and for the energy and enthusiasm of the management team to be diverted to another project.

I also look back at 2016 as the year that BGF began to spread its wings. When we launched in 2011 much was made of our potential to fill an 'equity gap' for growing British companies, and many people were keen to define the parameters of this gap.

At the time, we talked about there being more than one equity gap, and there not being just one route or one sequence of stages for every growing business. In reality it is a much more complex picture, with the challenges and needs of individual businesses often determined by their product or service offering, or the sector in which they are operating.

What we did see in 2011 was a very clear, and very large, gap for substantial long-term growth capital for more established and profitable private businesses looking to scale-up. That is the opportunity we focused on. We call this BGF Growth.

But early on we also recognised that our core growth capital offering wasn't appropriate for every growing company, every situation or even every sector. This led to the creation of BGF Ventures and BGF Quoted, targeting earlier stage pre-profit companies and businesses publicly listed on the AIM market of the London Stock Exchange, respectively.

The core offer remains the same across BGF Growth, BGF Ventures and BGF Quoted. Namely, patient capital for ambitious businesses: equity based, long-term, and only ever for a minority stake. But the risk profile is naturally different for earlier stage ventures and AIM listed companies, and there can be a need for more specialist knowledge be that around emerging technologies or the regulatory requirements of listed companies. Accordingly, BGF Ventures and BGF Quoted have their own specialists working closely with our growth investors and broader support teams, all leveraging BGF's unique national investment platform. It is a scalable model that is always delivering results and helping us to do more.

#### **BGF Ventures – established and expanding**

BGF Ventures launched in summer 2015 with a specific focus on digital technology, an incredibly exciting sector of the UK early-stage economy. BGF Ventures invested £26m in 2016, and has now backed a total of 13 companies.

The UK can boast many sources of early-stage capital, but too many are sub-scale. They don't have the depth of funding to build sizeable portfolios that account for the risk involved in venture investing and, just as importantly, they are unable to provide further funding to their most successful prospects as they continue to grow. The handful of London VCs that are the exception to this rule, are European focused, more likely to invest in Berlin than Birmingham.

The intention of BGF Ventures was never to become another small UK venture fund, but to create a new sustainable model for early-stage investing with the financial firepower to take risk and back winners, solely focused on the UK. I believe that in the 16 months since launch, BGF Ventures has already firmly established itself as a key source of funding for the UK's most exciting and ambitious digital technology companies.

We are now making our first steps into other sectors.

In January 2017, we committed to a £10m investment in Frontrow Group. Formed in 2013 by Graeme Coutts, the former chief executive at Expro Group and current chairman of BGF portfolio companies Spex Group and STATS Group, the Frontrow team has acquired, established and grown a group of energy service companies, creating a hub for the development of exciting new technologies in the oil and gas sector and providing entrepreneurial teams with operational guidance and expertise. The companies are based in the same incubator facility in Dyce, Aberdeenshire and have access to extensive shared resources. Frontrow will use BGF's funding to expand its resources and infrastructure, allowing it to develop even more promising young technology companies in the region's energy industry.

This deal allows us not only to invest in the growth and development of Frontrow, but it also extends our reach into younger, earlier stage companies in oil and gas, and the broader energy industry. We are backing a team we know well, and who bring a deep understanding of energy technology, a strong industry network and the operational experience to bring new products to market. We think this approach may well be relevant to other sectors.

We took a slightly different approach in February when we announced an exciting new partnership with First Derivatives plc (FD). FD is one of Europe's most prominent tech success stories, and one of the most successful companies on AIM since the launch of the market.

Over the course of the last year FD has received increasing numbers of requests from established, start-up and scale up firms as well as researchers and incubators at academic institutions interested in understanding how Kx – FD's ultra-high performance technology platform for the processing of real-time, streaming and historical data – could help them solve problems, build a business or even unlock entirely new markets. The partnership enables FD and BGF to support the growth of some of Britain's most innovative, exciting technology businesses: advising, assisting and investing in those firms as they adopt Kx technology to achieve their ambitions. Target areas include cyber security, AI, blockchain, robotics, nanotechnology, life sciences, neurology and machine learning.

The partnership with FD will further extend BGF's reach into earlier stage businesses, but this initiative and the investment in Frontrow is also a concerted effort to strengthen our presence in key sectors of the economy; develop and share knowledge more widely, whilst complementing the regional authority that our footprint of offices has created. We do believe that BGF's investment platform is second to none when it comes to investing in a very broad range of growing small companies across the UK.

In 2017 we anticipate more sector-based initiatives. We are looking at further opportunities in financial services, advanced manufacturing and hospitality, as well as emerging industries like robotics, life sciences and AI.

### **BGF Quoted – a new force for AIM listed companies**

BGF has also become a new force for AIM. In 2016, we made 19 investments in AIM listed companies, investing £53m. Working closely with these businesses and their advisers, BGF is providing a new and distinctive source of funding for UK listed growth companies. In turn this is creating greater liquidity on AIM overall which we see as a very healthy development.

Many of these businesses, particularly at the smaller end of the listed market, are just as constrained by lack of useable funding with which to implement growth plans as their privately-owned peers.

BGF can create flexible investment structures, mixing equity and loan notes in a way that few others can match; this often means less dilution for existing shareholders and a lower blended cost of capital than a straight equity fundraising. Together with a higher certainty of funds, BGF has a distinctive offer that is working effectively alongside other funders, and is proving to be a valuable addition to the AIM ecosystem.

With an overall quoted portfolio now in excess of £100m, and having shown growth of 35 percent in 2016, BGF has established itself as a significant new investor on the AIM market and we are excited about the scope to grow further.

### **Still focused on Growth**

Whilst BGF Ventures and BGF Quoted demonstrate that BGF's long-term capital model has a relevance for a broad range of growing companies, our core focus remains BGF Growth – privately owned, profitable companies turning over £5m-£100m with ambitious plans to scale up.



BGF Growth is the heart of BGF and we continue to invest more capital in more companies and more sectors than any other investor across the UK. New BGF Growth investments rose to £202m in 30 new companies, from £163m in 26 companies in 2015. A further £95m was provided as follow-on funding to existing portfolio companies, up from £65m in 2015.

We learnt from the outset that physical proximity matters, and being located in the cities and regions, close to the companies we invest in, builds trust and enables us to deliver on our promise of long-term partnership. I am pleased to report that every BGF office saw an increase in investment in 2016.

In September, we opened our ninth office in Milton Keynes. We selected Milton Keynes following strong demand from the local and nearby business communities and the decision was supported by analysis of BGF's proprietary research into UK SMEs, believed to be one of the largest datasets of its kind. The office will serve as a base to build closer connections to businesses and advisors in Milton Keynes and across Bedfordshire, Buckinghamshire, Hertfordshire and Northamptonshire.

### **More relevant than ever**

Small and mid-sized companies will face serious headwinds in the next 12 months, not all of them blowing in the same direction. We will work wherever we can with others, to support initiatives that recognise the role of ambitious small and mid-sized companies, as well as entrepreneurs, in maintaining and growing Britain's stature in the post-Brexit world.

Uncertainty brings new challenges, but it also brings more opportunity. I am even more determined that BGF will remain the most dynamic growth investor for smaller and innovative companies in the UK – visible, active, and continuing to play a leading role by focusing on growth and backing great British companies and entrepreneurs.

## Strategy

Business Growth Fund Plc (the "Company") and its subsidiaries (collectively "BGF" or the "Group") is an investment business that provides growth capital to ambitious entrepreneurs running growing UK companies. With up to £2.5bn of capital, BGF is a significant source of long term funding for smaller British businesses.

The core focus of BGF is to provide investment that will accelerate expansion, so fully understanding the growth thesis for each company we support is crucial. This includes funding to: increase working capital; make a strategic acquisition; raise capital expenditure; drive greater investment in sales and marketing; increase retail roll-outs; add more research and development; and expand internationally. Unlocking growth is also achieved by participating in secondary sales – releasing shareholders and capitalising the business for its next stage of development.

BGF is a minority investor acting as a partner alongside management and other shareholders. BGF invests through three business lines – BGF Growth, BGF Quoted and BGF Ventures.

BGF Growth typically invests initially between £2m and £10m taking a stake in companies that are privately owned, profitable, with turnover between £5m and £100m and good growth potential.

BGF Quoted invests in companies on the AIM market. The offering is similar in nature to the BGF Growth business targeting profitable companies with significant growth potential. The flexible investment structures provide an additional source of capital alongside that raised from the quoted market with BGF able to participate in market fund raisings with a view of providing further growth capital support in the future.

BGF Ventures looks to invest between £1m and £6m in early-stage technology companies. The focus is on innovative products that are highly scalable and provide exceptional prospects for growth. These companies frequently have a number of funding rounds and BGF Ventures has the capacity to support companies as they grow.

BGF invests in all sectors with the exception of regulated financial services and property development, and crucially operates through local investment teams based in nine offices across the UK. As BGF invests directly off its own balance sheet it is able to take a long-term view on investments.

Alongside its investment, BGF provides practical and strategic support through both the investment team and wider BGF infrastructure, through non-executive involvement at board level and through access to extensive broader networks. Crucially, BGF provides follow-on capital to fund further business expansion, enabling BGF to be a strategic partner for the businesses that we invest in, allowing these companies to achieve greater scale over time. BGF can also provide partial liquidity to existing shareholders, for example a retiring shareholder or exiting angel investor.

BGF continues to expand the growth capital industry in the UK given its substantial financial backing from shareholders, and also by developing a different way of working in partnership with entrepreneurs and their businesses, as well as with other stakeholders, advisers and banks. We will take risk with our portfolio companies appreciating that some will fail, but we will always look to support ambition.

## Business Review

BGF is achieving its stated purpose: championing growing businesses and ambitious entrepreneurs across the UK. There is now no doubt of both the demand and the need for additional long term capital for a broad array of smaller companies, beginning with start-ups, through later stage venture capital, to growth capital where BGF has made the most meaningful impact so far.

2016 was BGF's busiest year to date with a total of £376m invested. BGF Growth made 30 new direct investments with over £202 million of growth deployed. BGF Quoted invested £39m in 19 AIM companies and BGF Ventures invested £24m in 10 earlier stage companies. The Group also provided a further £111m as follow-on funding to companies in its existing portfolio.

The range of sectors and regions represented continues to demonstrate that entrepreneurs and growing companies can be found in all parts of the economy and across the UK. BGF's ability to talk directly to local businesses is why BGF's regionally based model is so important.

Clearly BGF has to meet its own investment criteria and make a commercially acceptable return for its shareholders. As a long-term and patient investor of only five years standing it is too early to talk about overall returns. However, there are already many encouraging signs of growth across the companies that have been backed and we are starting to see growing interest in our portfolio from potential purchasers.

2016 saw 11 companies exited during the year. These generated proceeds of £37m from investments with an original cost of £51m. BGF realised a loss of £28m on 6 of these investments as a number of portfolio companies failed to achieve their objectives which BGF had supported, while the remaining 5 exits generated a capital gain of £14m, a total profit including income of £17m and an overall return of more than 1.75x. Whilst this is a positive performance for these investments the returns we are targeting as a business on our whole portfolio will be realised over a longer time frame. With 49% of our investments made in the past 18 months, our portfolio is young and we continue to expect a j-curve profile of in value creation, with slower financial progress as our portfolio initially invests in growth in the earlier years offset by significant longer term gains.

Another mark of progress is the number of companies that have sought further funding from BGF. Follow-on investment is a critical element of the BGF offer. Sustained growth requires regular funding over the long term. Attracting new investors can require significant management time. BGF's access to capital means that its successful investee companies know that they have a supportive investor at their side; they can seize opportunities when they arise, and most importantly remain focused on growing their businesses. The same remains true for portfolio companies requiring support during a difficult period, however, we will always seek commensurate returns for the risk our funding attracts.

As we are now the largest provider of growth capital in the UK, BGF is mindful that it is part of a wider ecosystem that includes companies, banks, advisers, investors, local and central government and many others. It has been working hard to earn their trust and build relationships that will ultimately benefit UK entrepreneurship most.

## Results

The Group made a profit after taxation of £485,000 (2015: £10,347,000 profit). The year-end operating profit was £845,000 (2015: £11,139,000). This consisted of revenue gains of £17,413,000 (2015: £10,946,000) and capital losses of £16,568,000 (2015: £193,000 gains).

In terms of investment performance, the approach to valuations follows accounting guidelines whilst reflecting both the immaturity of the portfolio and the relative age of the companies BGF has invested in. BGF aims to offset some of the risk of investing in smaller companies by avoiding higher levels of gearing. The long term financial results will be driven by the capital appreciation of the underlying investments in the portfolio.

The 2016 year-end net unrealised valuation deficit of approximately 2.7% (2015: 3.6%) is in line with expectations. BGF continues to prioritise those situations which warrant most help and is working with the relevant boards to put in place robust longer term plans. A key objective over time is to ensure that budgeting at board level reflects the knowledge BGF has gained inside the business, as well as more developed strategic planning which should assist these businesses to grow successfully.

The provisions follow accounting standards of fair value today but do not necessarily reflect BGF's view of the long-term value of investments which BGF typically expects to hold for between 5-10 years. As is common practice with unquoted investments the key metric of financial success is the actual cash realised on each investment relative to its cost, so a precise Multiple of Money can be derived on each investment and then, across a whole portfolio of investments, looked at on an annual vintage basis. As a minority investor working in partnership with management BGF is helping to develop these companies over a longer-term horizon to build greater equity value noting that BGF cannot control exit timing.

## Business Model

BGF is designed to help smaller and mid-sized businesses fund investment for growth purposes using long term capital. The key driver of financial performance for BGF itself is being able to make sufficient investments to drive economies of scale, critical for a firm investing up to £10m initially, so that over time the balance sheet is of sufficient size to cover operating costs and investment activity.

The business will derive returns via two routes - annual returns (primarily interest and dividends) earned during the period for which the investment is held, and capital gains at the time of exit of an investment. Returns depend

greatly on the increase in value in the underlying investments based on the successful execution of an agreed growth strategy.

BGF continues to monitor its cost base in detail to align overheads with current and forecast investment activity, portfolio size and performance, as well as managing to budgeted levels.

### **Principal Risks and Uncertainties**

The key risks that the Group faces relate to the investment portfolio. Making equity linked investments in small quoted (AIM) and unquoted companies, by its nature, carries a higher degree of risk than investments in larger quoted or listed assets. This risk is managed through the Group's investment and portfolio management processes drawing on the extensive experience of the investment team. As the Group expands its investments the directors will mitigate some of this risk by ensuring that it maintains a diverse portfolio across business sectors and geography.

The nature of these investments also gives rise to a liquidity risk as there is not generally a ready market for the sale of the assets and the Group does not have the ability to force a sale of the companies in which we have invested, which is an underlying principle of being a minority investor. The directors mitigate this risk by ensuring that sufficient cash reserves are maintained to cover any short-term liabilities.

Poor investment decisions which provide low returns could potentially have a high impact on the business. In order to mitigate this risk, assessments prior to investment are undertaken which involves analysing the company's credit quality, risk operations, solvency and potential return, in accordance with the risk assumed. This is reviewed throughout the investment process by the Group's Investment Committee. The directors also seek to mitigate this risk by avoiding high levels of gearing on individual investments.

The Group operates in a highly regulated market and the Company is authorised by the Financial Conduct Authority to carry out its investment business. The directors have put in place procedures and controls to ensure that this authorisation is maintained.

The business continues to monitor the economic and trading environment as the UK works through its preparations for triggering Article 50 and initiating 'Brexit'. We remain confident that UK SMEs will continue to invest in growth and seek out opportunities here and abroad, however, we remain vigilant to the impact that negotiated terms may bring upon our portfolio, ranging from business confidence to trading barriers. The directors will oversee our investment strategy in light of this and we will adjust accordingly if any re-balancing of our portfolio is required to ensure our risk weighted returns are optimised.

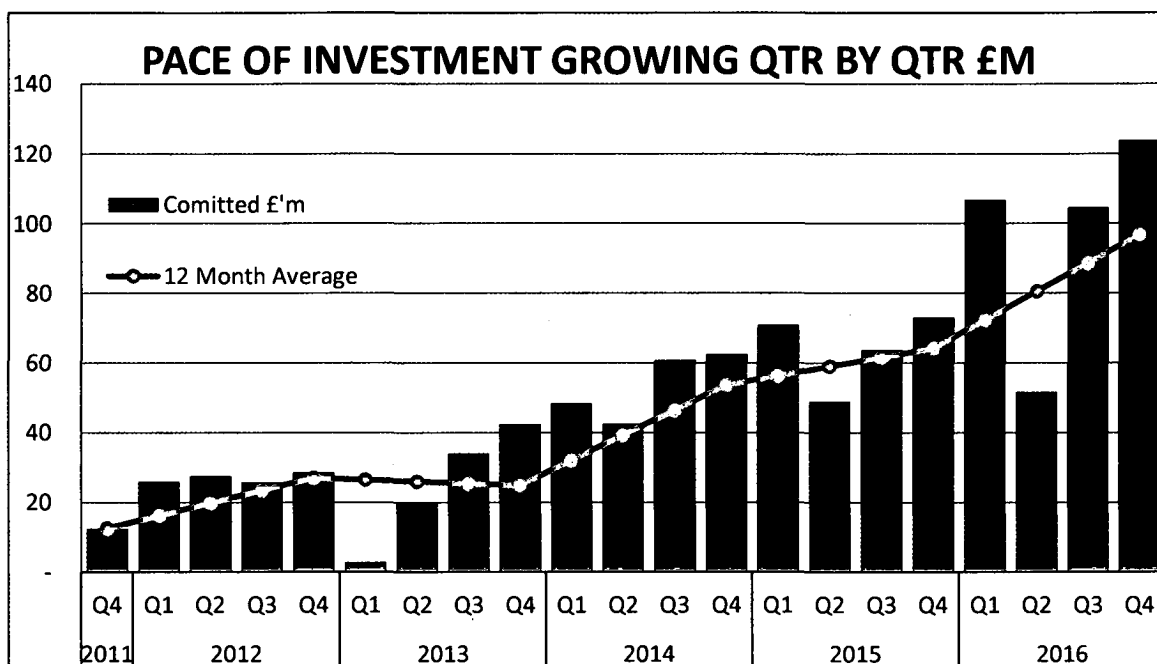
A more detailed analysis of the risks facing the Group is shown in notes 19 to 22.

### **Key Performance Indicators**

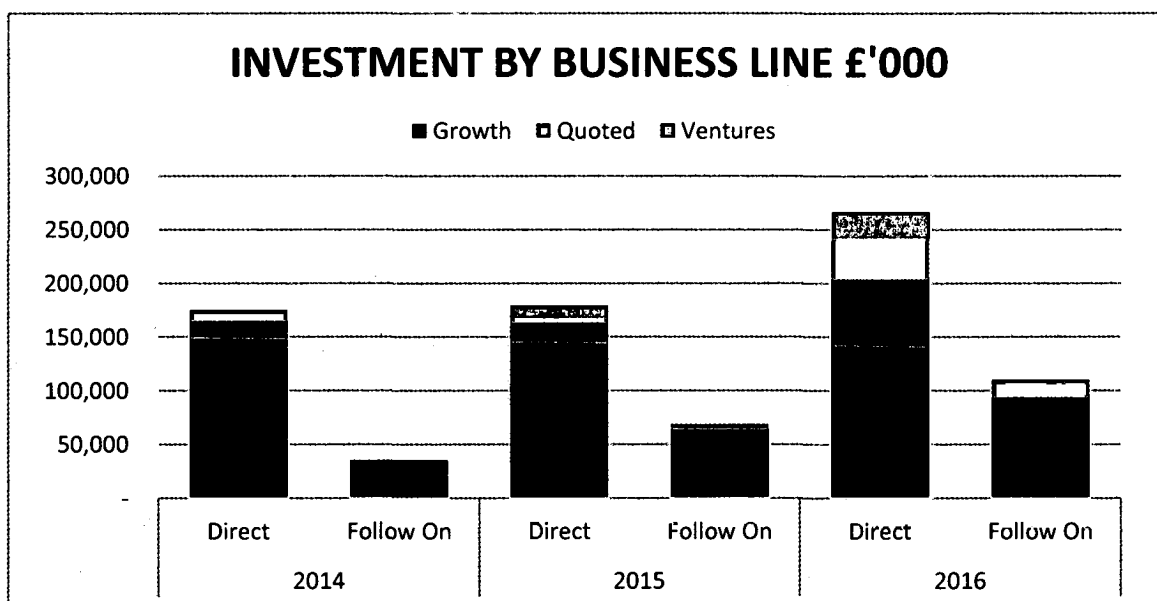
The Group uses both financial and non-financial measures to track progress against its primary objectives of expanding the market for the provision of equity and equity linked finance to smaller and medium sized businesses, and obtaining a commercially acceptable return on investment for shareholders.

The key performance indicators for the business are the level of investment and the current valuation of those investments. The relative immaturity of the portfolio means that sale of investments has a limited impact on the current performance but in the future the value of exits will become a more meaningful indicator of the success of the Group's strategy.

As shown below the level of investment has increased steadily from 2012 and 2013. The twelve-month average level of investment is approaching £100m per quarter.



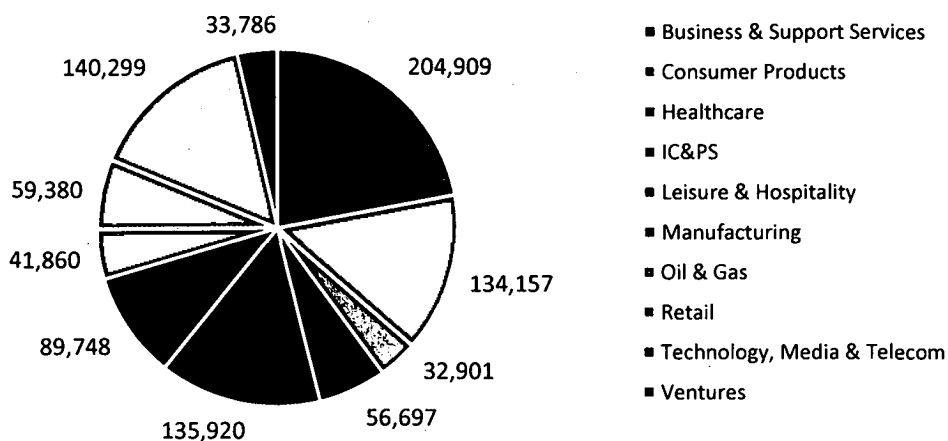
Whilst the introduction of Quoted (2014) and Ventures (2015) has contributed to this increased investment activity, the core Growth business also continues to expand. As demonstrated in the diagram below. The size of the portfolio has also provided significant opportunities to provide further investment into companies in which BGF already has a stake. In some cases, this will be rescue funding for a business that is underperforming, but increasingly has been an opportunity to increase investment in a business that has a proven record of delivering growth and where the management team is well known to BGF.



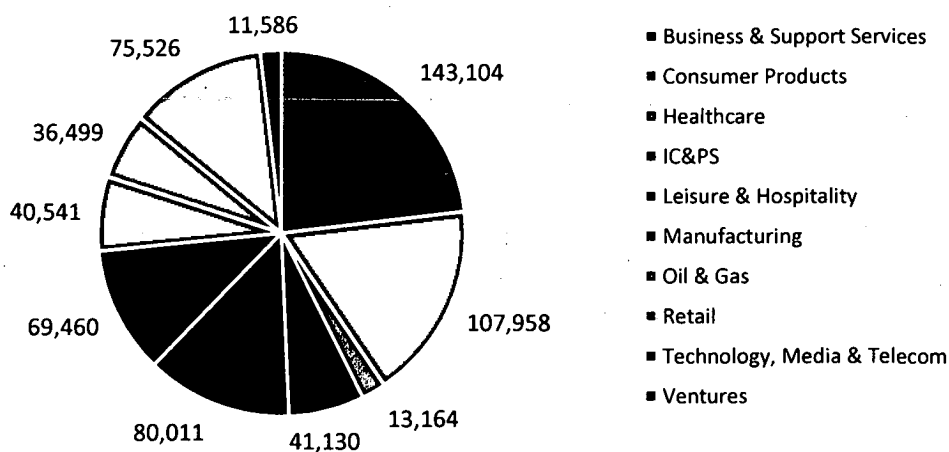
The Group also aims to ensure it has a healthy spread of sector exposure. BGF looks to invest across a range of sectors but does not target specific allocations in any area. The aim is to have a diversified portfolio and this is reviewed regularly by the Executive Team and the Investment Committee. For the purposes of monitoring the portfolio, investments across Growth and Quoted are allocated to one of nine sectors with Ventures investments held separately:

- Business & Support Services
- Consumer Products
- Healthcare
- Infrastructure, Construction & Property Services (IC & PS)
- Leisure & Hospitality
- Manufacturing
- Oil & Gas
- Retail
- Technology, Media & Telecoms
- Ventures

### 2016 VALUE BY SECTOR £'000

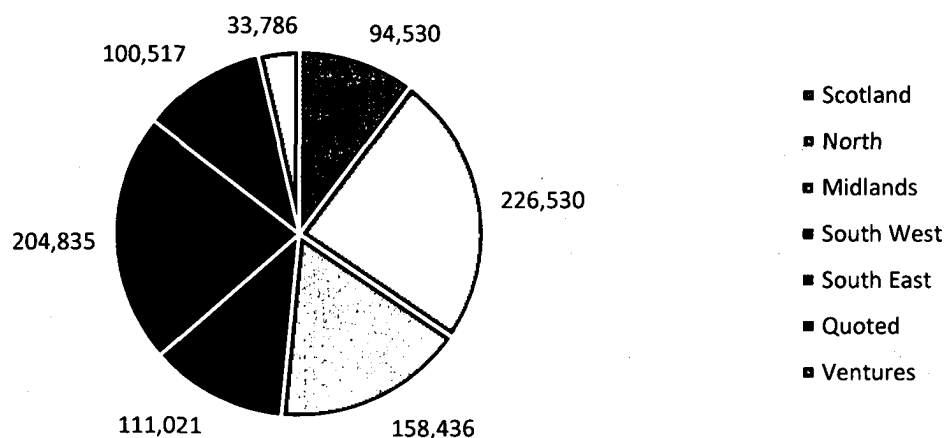


### 2015 VALUE BY SECTOR £'000

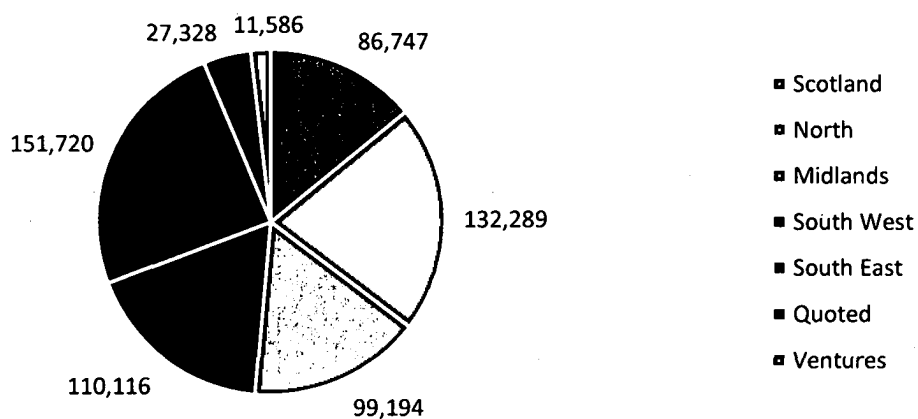


The Group monitors regional activity to ensure we continue to support the broad SME market and to enable the business to monitor resourcing to support both the regional deals and growing portfolios. All regions of the Growth business have seen the size of their portfolios grow during 2016. The Quoted and Ventures portfolios have also grown as they continue to establish themselves in their respective markets.

### 2016 VALUE BY REGION £'000



### 2015 VALUE BY REGION £'000



As the Group targets significant returns from capital gains, the importance of exits will increase as the portfolio matures. Exits to date have resulted from two sources. Firstly, the realisation of underperforming investments which tend to lead to a write off in a shorter time frame than successful investments. The other source of exits has been un-anticipated approaches from strategic buyers which have produced good returns over a short time period and very much in advance of the expected hold periods for these businesses.

**Exit Summary £'000:**

Year of Exit	Avg. Hold Period	Divested Cost	Total Return	Gain/(Loss)	Avg. MM
2015	2.13	24,305	41,251	16,946	1.70
2016	2.66	50,980	42,884	(8,096)	0.84

The overall returns from the Group's investment portfolio are positive with a net valuation provision which is offset by income and capital proceeds generated from the investments. The Ventures investments are more focussed on realising capital gains and do not generate significant income during the period for which the Group holds the investment.

**Portfolio Summary £'000:**

Vintage	Invested Cost	Current Cost	Residual Value	Income	Proceeds	Total Return
2011	14,086	9,201	11,653	4,299	5,710	21,662
2012	155,516	134,340	132,080	25,769	1,967	159,816
2013	126,394	106,736	104,912	20,737	20,379	146,028
2014	245,974	219,671	205,302	37,547	35,179	278,028
2015	197,790	184,433	171,184	18,784	15,799	205,767
2016	263,274	263,150	270,739	13,149	124	284,012
2015 Ventures	13,439	13,439	13,439	32	-	13,471
2016 Ventures	24,283	24,283	20,347	(12)	-	20,335
<b>Total £000</b>	<b>1,040,756</b>	<b>955,253</b>	<b>929,656</b>	<b>120,305</b>	<b>79,158</b>	<b>1,129,119</b>



## Environment

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the Group's impact on the environment include recycling and reducing energy consumption. During 2016 BGF moved into new London premises which provides energy efficient lighting and recycling and the business will strive to continuously improve all sites as we upgrade office space over the next few years.

## Employees

The Group considers it is critical to its success that it continues to nurture the different and diverse talents across the business and has designed employment policies to achieve this. The Group aims to provide equal opportunities, regardless of age, gender, race, religion or belief, sexual orientation, disability or ethnic origin. The Group does all that is practicable to meet its responsibilities towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative. The Group aims to ensure that all of its employees are informed about, and engaged with, their part of the business, augmented by a deeper understanding of the Group overall and its future direction.

The Group has implemented a long term incentive plan ("the LTIP") to strengthen the alignment between the shareholders and employees of the Group. The LTIP gives relevant employees a direct interest in the long term realised performance of the portfolio of investee companies subject to a certain minimum rate of return on those investments and the employees' continuing employment with the Group.

At the end of the financial year, the number of persons by gender within the company was as follows:

	Female	Male
Non-executive Directors	2	3
Shareholder Directors	-	3
Executive Directors	-	2
Senior Managers	2	7
Employees	55	69
Total	59	84

## Corporate Responsibility ("CR")

BGF recognises that the way in which it conducts its business has a direct impact on its employees, the environment, its portfolio companies and the business and local communities in which it operates. BGF embraces these obligations as a critical part of its mission; looking for opportunities to combine the strengths of its employees, shareholders and portfolio companies leading to the most efficient and effective outcomes. There are a number of key elements that make up entrepreneurial success: innovation, commitment, relevant skills, knowledge and connections are among them. BGF believes that these are also life skills – relevant and powerful – that benefit all individuals and the communities they live in.

Most specifically we support a number of charities, via sponsorship and other ways, whose aim is to encourage and arm young people with practical skills and real-life business experiences. New Entrepreneurs Foundation (NEF), created in 2010, offers final year students, recent graduates and non-graduates a direct route into business. Each year, it selects around 30 young, aspiring entrepreneurs from over 1,000 applicants, to take part in a one year programme that combines real-life experience in fast growing businesses with intensive training and mentoring.

The aim is to fast track the participants' careers and equip them with not only the hard and soft skills to start, run and grow their own company, but also an invaluable network. Importantly, 'NEFers' come from a vast array of backgrounds: school leavers, fresh graduates, engineers, humanities students and many who have experience in business already. Their business ideas are equally diverse. Last year's cohort included healthy soft drinks, a new biofuels technology, a B2B procurement service, a new mobile advertising concept and wearable cycle lights. These are still early days for NEF, but already graduates from the first years of the programme are successfully raising funding and real businesses are being created.

Young Enterprise is aimed at younger children, between the ages of 11 and 19. It seeks to empower young people by making the connection between school and the world of work, again through practical enterprise programmes.

BGF both sponsors and actively supports the Young Enterprise Tenner Challenge, a nationwide competition that gives these children a taste of what it's like to be an entrepreneur - a chance to think of a new business idea and make it happen, using real money to take calculated risks in the field of business, to make a profit and a difference.

As the headline sponsor, BGF investors sit on the judging panel – evaluating the weekly competitions based on sales pitches, trade stands and more, as well as the national competition. The business also participates in the challenge itself which raises funds from staff, friends and family, all for the charity.

BGF also supports and encourages its employees to contribute to the wider community through the Inspiring the Future scheme: employees from all sectors and professions volunteer to attend state schools and colleges to talk about their jobs, careers, and the qualifications and experience needed to get there. Volunteers also aid in the preparation of CV's and the development of effective interview skills.

National Citizen Service – The Challenge. This provides a way for school children and young people to see a work environment. BGF regularly hosts students across the UK. It is often the first time any of the participants have visited an office.

Beyond these charitable and educational initiatives, BGF also pursues strong ethical standards and codes of conduct which are reflected in its core business values and throughout its business including, Anti-Bribery & Corruption Policies and its Ethical Trading & Ethical Supply Chain philosophies.

BGF aims to provide its employees with the best possible working environment and works with them in a culture of mutual respect, honesty & fairness.

### **Political and Charitable Donations**

The Group recognises the value of charitable and social contributions both it and its employees can make.

The Group made charitable donations of £117,960 in 2016 (2015: £89,741); £1,373 (2015: £3,671) as part of its policy to match employee donations up to a maximum of £250 per employee and £116,587 (2015: £86,070) of donations to the New Entrepreneurs Foundation and Young Enterprise Tenner Challenge. The Group did not make any contributions to political parties during either the current or the previous year.

This report was approved by the Board of Directors on 12 April 2017 and signed on its behalf by:



Stephen Welton (Chief Executive Officer)

The directors' present their annual strategic report, directors' report and consolidated financial statements for the year ended 31 December 2016.

The company has chosen to set out information relating to the business review and future developments, key performance indicators, principle risks and uncertainties, employee and environmental policies within the Group Strategic Report.

#### Going Concern

As discussed within note 1(b) to the financial statements, the directors have considered the company's ability to continue as a going concern and have a reasonable expectation that the Company and the Group will continue as a going concern.

#### Dividends

The directors do not recommend the payment of a dividend for the period (2015: £nil).

#### Creditor payment policy

The Group's payment policy is to settle supplier invoices in accordance with agreed terms. At 31 December 2016, the Company had 31 days (2015: 28 days) of purchases held in creditors.

#### Substantial shareholdings

As at 31 December 2016, the ordinary share capital was issued as follows:

	No. of shares	% of issued share capital
HSBC (BGF) Investments Limited	263,282,250	24.308%
RBS SME Investments Limited	263,282,250	24.308%
Uberior Investments Limited	263,282,250	24.308%
Barclays Funds Investments Limited	263,282,250	24.308%
Standard Chartered Bank	30,000,000	2.768%
	1,083,129,000	100%

Uberior Investments Limited is a member of the Lloyds Banking Group.

#### Directors

The directors who held office during the year are set out in the Corporate Governance report.

#### Statement of 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 aware, there is no relevant audit information of which the company's auditor is unaware and that each director has taken all steps that ought to have been taken as director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board of Directors on 12 April 2017 and signed on its behalf by:



Stephen Welton (Chief Executive Officer)

### **Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements**

The directors are responsible for preparing the strategic report, the 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 group and parent 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 group and company and of their profit or loss 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;
- 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 group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for the Group. This framework is reviewed on an annual basis and will be reviewed in light of any changes to the Group's strategy.

### **Role of the Chairman**

The Chairman is responsible for leading the Board and ensuring its effectiveness in all aspects of its role.

### **Role of the Board**

The Board determines and monitors the Group's investment objectives and policies and considers the future strategic direction of the Group. The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and, where appropriate, future prospects in annual and quarterly reports and other forms of public reporting. It monitors and reviews the marketing and shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate.

The business of the Group is managed by the Board which may exercise all the powers of the Group. A procedure for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Group has been agreed.

The Board is accountable to the Group's stakeholders, including its shareholders, for the standards of governance operated throughout the organisation.

The Board has adopted a formal schedule of matters that are specifically reserved for its decision including the approval of annual results; the recommendation of dividends; approval of annual budgets; review of Group strategic plans; review of the overall system of internal control and risk management; the review of compensation and incentives and the review of corporate governance arrangements.

Specific responsibilities are delegated to a number of sub-committees such as the Audit & Risk, Nominations, Remuneration, Executive, Conflicts, Valuation and Investment Committees and these are documented through the relevant committee terms of reference. The matters reserved for Board decision and the committee terms of reference are reviewed on an annual basis.

The Board delegates authority, within clearly defined limits, to the Group Chief Executive Officer and the Group Chief Operating Officer ("Executive") for operational matters.

Board meetings are generally held quarterly. Additional Board meetings, or meetings of a Committee of the Board established by the Board to consider specific items, are convened when necessary.

The quorum for meetings is five eligible Directors including Bank Member Directors who are appointed by Bank Members holding at least 60 per cent of the issued ordinary share capital of BGF. Guidance on majority and voting rights can be found in the Articles of Association.

In addition to items reserved to the Board by law and the Articles of Association, items that are reserved specifically to the Board for regular and/or periodic review include; overall strategy, company performance, objectives and priorities, brand, values and reputation, external affairs, appointment of Senior Executives to the Board or Executive positions, and sub-committee reports and terms of reference, including membership of all committees.

### **Senior Independent Director**

Neil Johnson was appointed Senior Independent Director on 21 March 2013. The Senior Independent Director is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

### **Company Secretary**

The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

### **Tenure**

The Board has adopted a policy on tenure that they consider appropriate for the Group.

As part of the planned Board rotation, Independent Non-Executive Director Audrey Baxter stepped down in September 2016, Adrian White replaced Karen Bothwell in January 2016 as the Lloyds Banking Group appointed Bank Member Director and Kevin Wall replaced Alan Turner in January 2017 as the Barclays appointed Bank Member Director. Richard Holmes stepped down from the Board in July 2016 as the Standard Chartered appointed Bank Member Director. As Standard Chartered's right to a Board seat ends in February 2017, they agreed that a replacement would not be appointed.

During 2016, the independent Non-Executive Chairman, Sir Nigel Rudd, was reappointed for an additional term and two new Independent Non-Executive Directors, Alice Avis and Diana Noble were appointed to the Board.

The Executive Directors' positions are inherently linked to their roles within the Group and will therefore not be subject to re-appointment. This approach will remain so long as the Executive Directors continue to fulfil their roles and the Board members remain satisfied with their performance and that they are the appropriate Executive Directors to be on the Board, in line with best practice and good governance.

In accordance with the Articles of Association, the bank shareholders as founder members reserve the right to appoint a Bank Member Director to the Board.

### **Induction and training**

When a Director is appointed he or she receives a full, formal and tailored induction. This includes a detailed briefing from the Chief Operating Officer and the Company Secretary on the running of the Board covering such matters as terms of reference, governance practices, risk management and calendar of events. In addition, meetings are arranged with various members of management to facilitate a better understanding of the business.

### **Performance Evaluation**

Although the board continually assesses its own performance and effectiveness, the directors consider it appropriate that a full board effectiveness review should be carried out approximately every 3 years. The next review is likely to take place in 2018.

### **Review of the effectiveness of internal controls and risk management**

The effectiveness of the Company's internal controls and risk management is assessed at least annually. The Company conducts an annual Risk and Control Assessment ("RCA") which assesses all actual and potential risks faced by the Company and the adequacy of the associated risk mitigation controls. The RCA Report was reported to both the Company's Audit & Risk Committee and Board, with no material weaknesses identified. The Company also produces an annual Senior Management Arrangements, Systems and Controls Report ("SYSC") and Statement of Internal Governance ("SOIG") Report and the Money Laundering Reporting Officer ("MLRO") prepares an annual MLRO Report. Again, these are reported to both the Company's Audit & Risk Committee and Board and no material weaknesses or areas of concern were identified.

The Company has its own dedicated Risk and Compliance team who are primarily responsible for assessing, managing and reporting the actual and potential risks and issues faced by the Company. The team regularly engage with the different teams across the business and in particular work closely with the Legal, Finance and Portfolio teams.

The Company has appointed an external compliance and regulatory adviser to provide independent oversight, and quarterly reviews are carried out in accordance with the Company's Compliance Monitoring Plan. Following each quarterly visit, a detailed report of the findings, including any recommendations, is prepared and shared with the Company's Compliance Officer and Audit & Risk Committee.

The Board considers that adequate risk mitigation controls exist over the financial reporting process. A single team is responsible for preparing and consolidating the financial reporting for each of the Group entities and ensuring that financial information is accurate and complete. Reviews are conducted by senior members of staff,

to ensure that transactions and balances are recognised and measured on a consistent basis and in accordance with appropriate accounting policies and financial reporting standards.

### Committees

The Board has delegated certain responsibilities and functions to Committees. Details of membership of the Committees at 31 December 2016 may be found on page 25.

### Audit and Risk Committee

The role of the Audit and Risk Committee is to ensure that the Group maintains the highest standards of integrity and competence in financial reporting, risk management and internal control. The Board considers each member of the Committee to be independent. The Board also considers that members of the Committee have competence in accounting.

The Committee shall be accountable to the Board and shall have responsibility for oversight and advice to the Board on:

- Ensuring – an effective system of internal control and compliance over financial reporting and for meeting its external financial reporting obligations, including its obligations under applicable stock exchange listing rules, laws and regulations and shall be directly responsible on behalf of the Board for the selection, oversight and remuneration of the external auditor;
- The Board's risk appetite, tolerance and strategy;
- Systems of risk management, internal control and compliance to identify, measure, aggregate, control and report risks;
- The alignment of strategy with the Board's risk appetite;
- The alignment of reward structures, in relation to the management of risk, with the Board's risk appetite;
- Where requested by the board, provide advice on whether the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Groups performance, business model and strategy; and
- The maintenance and development of a supportive culture, in relation to the management of risk, appropriately embedded through procedures, training and leadership actions so that all employees are alert to the wider impact on the whole organisation of their actions and decisions.

### Remuneration Committee

The purpose of the Committee is to develop, review and advise the Board on the over-arching principles, parameters and governance framework of the Group's remuneration policy and the remuneration of Senior Executives (being those whose appointment requires Board approval; employees who perform a significant influence function; employees whose activities have or could have a material impact on the Group's risk profile; and any other employee as determined by the Committee from time to time in accordance with the requirements of the Company's regulators).

BGF has adopted the following underlying principles in deriving a balanced remuneration policy:

- The compensation model should be aligned with the long-term objectives and risk profile of the business.
- The compensation model must ensure both attraction and retention of high calibre people to deliver the required objectives and returns.
- Short term and long term components will form the basis of total compensation. In addition to short term elements comprising basic salary, performance related bonus and pension an LTIP will be utilised to align long term incentives and reward to the long-term investment strategy.
- BGF aims to be competitive and fair, in line with other providers of growth and development capital, venture capital and smaller and mid-market private equity funds.

### Nominations Committee

The role of the Committee is to consider and make recommendations to the Board on the Board's composition and balance of skill and experience, and on individual appointments, to lead the process and make recommendations to the Board.

I. The duties of the Committee shall be to:

- Regularly review the structure, size and composition (including skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- Give full consideration to succession planning for directors and other senior executives in the course of

its work, taking into account the challenges and opportunities facing the Group, and skills and expertise needed on the Board in the future;

- Keep the leadership needs, at Board level, of the Group under review (both executive and non-executive);
- Lead the process for Board appointments and make recommendations to the Board;
- Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall:
  - a) Use open advertising or the services of external advisers to facilitate the search;
  - b) Consider candidates from a wide range of backgrounds; and
  - c) Consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;
- Review the time required from a non-executive director and assess whether they contribute effectively and demonstrate commitment to the role. Performance evaluation should be used to assess as appropriate whether the non-executive director is spending enough time to fulfil their duties; and
- Arrange for non-executive directors to receive a formal letter of appointment to the Board, on their appointment, setting out the expected time commitment, committee service expected of them and their involvement outside Board meetings.

II. The Committee shall make recommendations to the Board with regard to:

- Plans for succession for executive and non-executive directors and in particular the key roles of Chairman and Chief Executive;
- The appointment of the Company Secretary;
- The appointment of an independent non-executive director;
- Membership of the audit and remuneration committees, and any other Board committees as appropriate, in consultation with the chair of those committees; and
- The appointment of any director to an executive or other office of the Group (other than to the positions of Chairman and Chief Executive, the recommendation for which would be considered at a meeting of the Board).

#### **Executive Committee**

The Company has monthly Executive Committees for both the Growth and Ventures businesses. For Growth, which encompasses Quoted also, this consists of the Chief Executive and each of his direct reports and for Ventures this includes the Chief Executive, the 3 partners and the infrastructure members that sit on the Growth Executive Committee. Other members of the Growth Executive Committee attend the Ventures Executive Committee as needed.

The purpose of each Committee is to review the objectives and achieve the priorities of the Board. The Committee reviews investment and portfolio strategy, and policy (including issues arising, deal execution and deal conversion), as well as strategic and operational priorities. The Committees take accountability for day-to-day investment and operational decisions and will review the Company's strategies, performance and risks. The Committees report to and make recommendations to the Board through the Chief Executive.

#### **Investment Committee**

The purpose of the Committee is to determine and implement the investment guidelines set out in the Group's Business Plan and to approve investment decisions, being an investment proposal (where an investment proposal includes a proposal to make new investments, follow-on investments, restructuring of existing investments and full or partial exits from existing investments); and applicable investor consents. The Company has also established a separate Investment Committee for the Ventures business that is run on similar lines.

#### **Valuation Committee**

The purpose of the Committee is to review and approve portfolio company valuations in line with the Company Valuation Policy and report these to the Audit and Risk Committee. The committee is attended by the Groups Auditors.

#### **Conflicts Committee**

The duties of the Committee shall be to identify, review and monitor potential deal conflicts, for example between similar investment opportunities or an investment opportunity with a portfolio company, agree action to be taken



and where appropriate approve any deal conflicts. The Committee met 10 times during 2016 and in all cases the potential conflicts were managed in a robust and effective manner.

The directors who served during the year and their membership of key Board Committees is as set out below:

Director		Board	Audit & Risk Committee	Remuneration Committee	Nominations Committee
Alice Avis	Non-executive Director	X	-	-	-
Audrey Baxter	Non-executive Director	X	-	-	-
Tim Boag	Bank Member Director	X	-	X	-
Karen Bothwell	Bank Member Director	X	X	-	-
James Chew	Bank Member Director	X	X	-	-
Richard Holmes	Bank Member Director	X	X	-	-
Neil Johnson	Senior Independent Director	X	-	X	X
Stephen Murphy	Non-executive Director	X	X	X	-
Diana Noble	Non-executive Director	X	X	X	-
Matthew Reed	Chief Operating Officer	X	-	-	-
Sir Nigel Rudd	Chairman	X	-	-	X
Alan Turner	Bank Member Director	X	-	X	-
Stephen Welton	Chief Executive Officer	X	-	-	X
Adrian White	Bank Member Director	X	X	-	-

The Board is satisfied that each of the Chairman and the other non-executive Directors commit sufficient time to the affairs of the Group to fulfil their duties as Directors. Where directors are unable to attend any meeting they will have a discussion with the Committee Chairman and/or the Company Secretary to ensure that they are fully apprised of the discussions.

#### Changes to Directors

The following directors were appointed or resigned during the year and up to the date of this report:

Karen Bothwell	- resigned 20 January 2016
Adrian White	- appointed 20 January 2016
Alice Avis	- appointed 14 April 2016
Richard Holmes	- resigned 14 July 2016
Diana Noble	- appointed 14 July 2016
Audrey Baxter	- resigned 30 September 2016
Alan Turner	- resigned 6 December 2016
Kevin Wall	- appointed 26 January 2017

### **CHAIRMAN, SIR NIGEL RUDD:**

Sir Nigel Rudd is best known as founder of Williams plc in 1982, which went on to become one of the largest industrial holding companies in the United Kingdom until its demerger in November 2000, creating Chubb plc and Kidde plc. He is presently Chairman of BAA Limited and the technology company Invensys plc, and has been a long-term advocate of a fund of this kind. Sir Nigel became Chairman of BGF in February 2011. Sir Nigel was knighted in 1996 for services to manufacturing. He has a long record as an active angel investor in small and medium-sized businesses. He has been Chairman of some of the largest companies in the UK, including Pilkington, Alliance Boots and the UK's largest car retailer, Pendragon PLC, the company he founded with one dealership in 1982. He was a Director of Barclays PLC for 13 years, latterly as Deputy Chairman.



### **CEO, STEPHEN WELTON:**

As the founder CEO of BGF, Stephen is responsible for the management and strategic direction of the company.

Prior to BGF, Stephen was one of the founding partners of the global private equity firm CCMP Capital (formerly JP Morgan Partners), and Managing Director of Barclays Private Equity and Henderson Ventures, which he co-founded. In 2013 he was appointed as an Advisor to the UK government regarding the establishment of the British Business Bank. He has served as an independent director on a broad range of companies both in the UK and internationally during the past 25 years. Stephen started his career in banking, has a law degree from Durham University and is a qualified Barrister-at-Law.



### **CHIEF FINANCIAL OFFICER, MATTHEW REED:**

Matt joined BGF in 2011 and is responsible for the finance, compliance and operational functions of the business. Matt worked in Australia as a Chartered Accountant before moving to the UK in 1999. Since then he has worked in numerous finance roles in both Investment Banking and Private Equity in both the UK and Luxembourg, having spent 6 years at JP Morgan and then moving to CCMP Capital.

Matt holds a Bachelor of Commerce degree from The University of Western Australia and is a member of the Institute of Chartered Accountants of Australia.



### **NEIL JOHNSON (NXD):**

Neil is currently Chairman of Synthomer plc, e2v plc and electra plc. He also chairs Motability Operations plc, a major finance and leasing company owned by the UK banks. Neil was formerly CEO of the RAC, and chaired telematics company Cybit Plc through IPO and ultimate sale to a US private equity house in 2010. After directing the European automotive interests of British Aerospace, he served a term as director general of the Engineers Employers Federation and later set up a transatlantic trade and business promotion body, British-American Business Inc. Following an early career in the Army he began his business career with a series of roles within Lex Service Group, British Leyland, Jaguar and Land Rover. Neil is the senior independent director on the BGF Board and was, until 2012, an Independent Member of the Metropolitan Police Authority.



### **STEPHEN MURPHY (NXD):**

Stephen Murphy currently serves as Principal of his own advisory business, as well as sitting as Chairman at The Learning Clinic, an award winning healthcare technology company and as an adviser to Ashcombe Advisers – a boutique corporate finance house. Previously Stephen was Group CEO of Virgin Group from 2005-2011 having succeeded the Founder, Sir Richard Branson. Stephen joined the Virgin Group in 1994 with a remit from Richard Branson to rationalise and restructure the business following the sale of Virgin Music.

Stephen oversaw the creation of many new Virgin businesses including Virgin Blue in Australia and Virgin America in the US. In total, Virgin has created more than 300 branded companies worldwide, employing 50,000 people in 30 countries. Global branded revenues for the Group in 2010 exceeded \$20 billion, and the company is valued at \$3.5bn. Stephen has extensive experience of working with entrepreneurs across a variety of sectors. Stephen completed his schooling and went to university in Liverpool, later qualifying as a chartered management accountant. His early career was in fast moving consumer goods (FMCG) and retail with stints at Unilever, Mars Group, Burton Group and Quaker Oats.



### **ALICE AVIS, MBE (NXD):**

Alice Avis joined the board of BGF in April 2016 and brings a wealth of marketing, e-commerce and executive experience.

During her time as Chief Executive and Chair at The Sanctuary Spa, Alice oversaw a trebling of the business's value and its sale to PZ Cussons. Most recently she served as Executive Chairman for Lumene Oy, a Finnish skincare and cosmetics company. She is currently a Non-Executive Director at The Edrington Group, a privately-owned international spirits company, and Cyden Limited, a British beauty and health company, as well as serving as an advisor to the National Trust. Alice's experience includes stints as Director of Marketing and e-Commerce at Marks and Spencer, and as Global Brand Director at Johnnie Walker. In 2009 she was awarded an MBE for services to the beauty industry.



### **DIANE NOBLE (NXD):**

Diana Noble brings extensive experience in private equity, venture capital and international development to the BGF Board, which she joined in July 2016. She is currently Chief Executive of CDC, the UK's development finance institution, managing net assets of £3.4bn. Established in 1948, CDC provides investment capital to fund growth in ambitious and promising businesses throughout Africa and South Asia.

Diana was a partner at Schroder Ventures (now Permira) for 12 years, founder CEO of e-Ventures and founder Managing Director of Reed Elsevier Ventures. Diana joined CDC after five years with the Clinton Foundation's Health Access Initiative, where she took a number of roles, including Executive Vice President Operations. In this role, she was responsible for forty three countries and five global teams and oversaw the scale-up of a global programme to improve children's access to HIV/AIDS treatment.

Diana has a first class Law degree and completed the Advanced Management Program at Harvard Business School.



### **TIM BOAG (RBS):**

Tim is responsible for the UK lending activities of RBS in areas such as acquisition finance, energy, infrastructure and public sector.

Tim began his career as a graduate with NatWest and has fulfilled a number of roles within RBS Group, including for Risk, Relationship Management and more recently Financing across a broad range of sectors. He has worked in both the Corporate and Investment Banking areas, and was Finance Director of the Global Structured Finance Business in 2005/6.

Tim is actively involved in a number of pan-RBS and divisional initiatives, including the development of professional standards and supporting enterprise.



### **JAMES CHEW (HSBC):**

James is Group Head, Regulatory Policy & Development in the Financial Services Policy Unit at HSBC Holdings plc. He considers key regulatory policy developments which will affect the Group across the world. After joining the HSBC Group in 1993 James worked in joint ventures, including with BSkyB for the launch of digital television in the UK. James has been both Group Head of Planning and Group Head of Acquisitions and Disposals. Amongst other transactions, he was a key player in HSBC's disposal of the French Regional Banks in 2008 for \$3.2bn.

As part of the Business Finance Taskforce in the UK, James was the interim CEO responsible for the establishment of BGF. He has a degree in Geography from Oxford and an MBA from the Cass Business School, London.



### **ADRIAN WHITE (Lloyds Banking Group):**

Adrian is Chief Operating Officer, Commercial Banking at Lloyds Banking Group (LBG), with responsibility for delivering all functional, operational and support services to the Group's business and commercial clients. Prior to his current role Adrian led the LBG SME Banking businesses under both the Lloyds Bank and Bank of Scotland brands and he remains passionate about supporting small and medium sized businesses to grow and prosper. Adrian holds an MBA from Warwick Business School and is a Fellow of the Chartered Institute of Bankers.



### **KEVIN WALL (Barclays):**

Kevin is Chairman, Corporate Banking and Vice-Chairman, Investment Banking at Barclays.

Kevin joined Barclays as a graduate and has held client and product leadership roles in corporate and investment banking as well as roles in strategic planning and human resources. He has worked in the U.S., Australia, Hong Kong and Singapore as well as the UK. His current role is largely client focused in the UK, Ireland and Asia-Pacific.

Kevin is a non-executive director of Which? Ltd. and a trustee director of the Barclays pension fund.

Kevin graduated with a BSc (Hons) in Accounting & Financial Analysis from Warwick University.



# Independent auditor's report to the members of Business Growth Fund Plc

We have audited the financial statements of Business Growth Fund Plc for the year ended 31 December 2016 set out on pages 31 to 55. 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 20, 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](http://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 Group's and of the Company's affairs as at 31 December 2016 and of the group's 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 matter 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.

## **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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.



**Richard Hinton (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square, London E14 5GL  
Date: 12 April 2017

# Consolidated profit and loss account

# Business Growth Fund Plc

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Investment income		50,390	39,631
Operating expenses	2,3	(32,977)	(28,685)
Net realised gain	6	740	10,217
Net unrealised loss	8	(17,308)	(10,024)
<b>Operating gain</b>		<b>845</b>	<b>11,139</b>
Interest receivable	5	179	225
<b>Profit on ordinary activities before taxation</b>		<b>1,024</b>	<b>11,364</b>
Taxation on ordinary activities	7	(539)	(1,017)
<b>Profit on ordinary activities after taxation</b>		<b>485</b>	<b>10,347</b>
<b>Total comprehensive income</b>		<b>485</b>	<b>10,347</b>

All income and expenditure arose from continuing operations. There was no profit or loss attributable to minority interests in the year.

A consolidated statement of total recognised gains and losses has not been prepared as all gains and losses are recognised in the consolidated profit and loss account.

There is no difference between the loss on ordinary activities before taxation and the retained (loss)/profit for the period stated above and their historical equivalents.

The notes on pages 35 to 55 form an integral part of these financial statements.

# Consolidated and Company balance sheet Business Growth Fund Plc

For the year ended 31 December 2016

	Notes	2016 Consolidated Group £'000	2016 Company £'000	2015 Consolidated Group £'000	2015 Company £'000
<b>Fixed assets</b>					
Investments	8	959,690	-	637,574	11,586
Investment in group entities	9	-	872,681	-	581,231
Tangible fixed assets	10	1,818	1,818	638	638
		<b>961,508</b>	<b>874,499</b>	<b>638,212</b>	<b>593,455</b>
<b>Current assets</b>					
Debtors	11	14,679	11,784	11,928	10,111
Cash at bank and in hand		87,308	87,145	62,283	52,492
		<b>101,987</b>	<b>98,929</b>	<b>74,211</b>	<b>62,603</b>
<b>Creditors: amounts falling due within one year</b>	12	<b>(14,203)</b>	<b>(17,293)</b>	<b>(11,388)</b>	<b>(13,496)</b>
<b>Net current assets</b>		<b>87,784</b>	<b>81,636</b>	<b>62,823</b>	<b>49,107</b>
<b>Total assets less current liabilities</b>		<b>1,049,292</b>	<b>956,135</b>	<b>701,035</b>	<b>642,562</b>
Provisions for liabilities and charges	13	(251)	(251)	(489)	(489)
<b>Net assets</b>		<b>1,049,041</b>	<b>955,884</b>	<b>700,546</b>	<b>642,073</b>
<b>Capital and reserves</b>					
Called up share capital	14	1,083,129	1,083,129	735,129	735,129
Retained earnings	16	(34,143)	(127,245)	(34,628)	(93,056)
Minority interest	15	55	-	45	-
<b>Equity</b>		<b>1,049,041</b>	<b>955,884</b>	<b>700,546</b>	<b>642,073</b>

These financial statements were approved by the Board of Directors on 12 April 2017 and were signed on its behalf by:



Stephen Welton (Chief Executive Officer)

Company registration number: 07514847

The notes on pages 35 to 55 form an integral part of these financial statements.



# Statement of Changes in Equity

For the year ended 31 December 2016

## Business Growth Fund Plc

Group	Called up Share Capital £'000	Profit & loss account £'000	Minority interests £'000	Total equity £'000
Balance at 1 January 2016	735,129	(34,628)	45	700,546
Profit for the period	-	485	-	485
Issue of shares	348,000	-	-	348,000
Acquisition of minority interests	-	-	10	10
Balance at 31 December 2016	1,083,129	(34,143)	55	1,049,041

Group	Called up Share Capital £'000	Profit & loss account £'000	Minority interests £'000	Total equity £'000
Balance at 1 January 2015	501,129	(44,975)	37	456,191
Profit for the period	-	10,347	-	10,347
Issue of shares	234,000	-	-	234,000
Acquisition of minority interests	-	-	8	8
Balance at 31 December 2015	735,129	(34,628)	45	700,546

Company	Called up Share Capital £'000	Profit & loss account £'000	Minority interests £'000	Total equity £'000
Balance at 1 January 2016	735,129	(93,056)	-	642,073
Loss for the period	-	(34,189)	-	(34,189)
Issue of shares	348,000	-	-	348,000
Acquisition of minority interests	-	-	-	-
Balance at 31 December 2016	1,083,129	(127,245)	-	955,884

Company	Called up Share Capital £'000	Profit & loss account £'000	Minority interests £'000	Total equity £'000
Balance at 1 January 2015	501,129	(62,539)	-	438,590
Loss for the period	-	(30,517)	-	(30,517)
Issue of shares	234,000	-	-	234,000
Acquisition of minority interests	-	-	-	-
Balance at 31 December 2015	735,129	(93,056)	-	642,073

The notes on pages 35 to 55 form an integral part of these financial statements.

# Consolidated cash flow statement Business Growth Fund Plc

For the year ended 31 December 2016

	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>		
Operating profit	845	11,139
<i>Adjustments for:</i>		
Depreciation	429	484
Loss on disposal of fixed assets	22	-
Unrealised loss on investments	17,308	10,024
Realised gain on investments	(740)	(10,217)
Increase in debtors	(3,040)	(818)
Increase in creditors	2,535	2,118
Increase in accrued income	(11,439)	(7,436)
Income reinvested	-	(1,764)
<b>Net cash from operating activities</b>	<b>5,920</b>	<b>3,530</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(375,932)	(248,427)
Disposal of Investments	48,702	30,323
Purchase of tangible fixed assets	(1,862)	(212)
Interest received	187	356
<b>Net cash used in investing activities</b>	<b>(328,905)</b>	<b>(217,960)</b>
<b>Cash flows from financing activities</b>		
Increase in share capital issued	348,000	234,000
Minority interest	10	8
<b>Net cash from financing activities</b>	<b>348,010</b>	<b>234,008</b>
Net increase in cash and cash equivalents	25,025	19,578
Cash and cash equivalents at 1 January 2016	62,283	42,705
<b>Closing cash position</b>	<b>87,308</b>	<b>62,283</b>

The notes on pages 35 to 55 form an integral part of these financial statements.

For the year ended 31 December 2016

## 1. Accounting policies

### a. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent Company Cash Flow Statement with related notes is included; and
- Key management personnel compensation has not been included a second time.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

As the Company prepares consolidated financial statements, it has taken advantage of the exemption contained in paragraph 33.1A of FRS 102 and has therefore not separately disclosed transactions or balances with other wholly owned subsidiaries of Business Growth Fund Plc.

### b. Going concern

The Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 10 to 18. In addition, notes 19 to 22 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The Group finished the year with cash balances of £87m and has sufficient funding committed from its shareholders to fund its activities for 2017.

In light of the Group's financial resources, the Directors believe that the Group is well positioned to successfully manage its business risks within the Group's risk appetite and tolerance despite the continuing uncertain economic outlook, and, after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

### c. Basis of consolidation

The consolidated financial statements include the financial statements of all the Company's subsidiaries. Subsidiaries are entities controlled by the parent company, directly or indirectly.

The Group has investments which may be regarded as associated undertakings in accordance with FRS102. As these investments are held as part of an investment portfolio they have not been consolidated in the accounts of the Group but have been accounted for at fair value with changes through the profit and loss account.

### d. Recognition and measurement of investments

The purchase or sale of investments is recognised at the date of completion.

The Group makes and holds investments with a view to earning investment income and realising gains on subsequent disposals. Investments are included in the balance sheet at fair value. Investments by the Group are typically made through a combination of equity shares and unsecured loan notes.

Investments are valued by applying the International Private Equity and Venture Capital Valuation Guidelines, which have been adopted by the British Private Equity and Venture Capital Association.

For the year ended 31 December 2016

They are included in the financial statements at fair value through the Profit and Loss and a rigorous valuation process is undertaken half-yearly.

Unlisted investments are typically valued using one of the following methodologies:

1. Earnings Multiple (based on comparable quoted multiples and significant third party transactions);
2. Price of Recent Investment;
3. Net Assets; or
4. Discounted Cash Flows or Earnings from underlying business.

When applying an Earnings Multiple, the Group uses its best estimate of maintainable earnings. In accordance with the guidelines, discounts to the multiple are applied for marketability, size, quality of earnings and other relevant factors where appropriate.

Ventures investments generally do not have sufficient earnings to be valued on this basis. In this case they are valued using a recent round of financing (including the initial investment by the Partnership) as the basis for the enterprise value. This enterprise value is then adjusted to reflect progress against key milestones in the development of the investment.

Quoted investments for which an active market exists are valued at the closing bid price at the reporting date.

## **e. Income**

Arrangement fees are recognised on completion of the associated investment. Annual fees are recognised on an accruals basis.

Income on loan notes and preference shares is recognised on an accruals basis. Appropriate provisions are made against this income where the recovery becomes doubtful.

Dividends on equity shares are recognised on the date that the right to receive the income is established.

## **f. Operating expenses**

Operating expenses are recorded on an accruals basis.

## **g. Taxation**

Tax on the profit and loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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 statement of financial position date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

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.

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 provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset or liability is recognised in the Company and the corresponding amount that can be deducted or assessed for tax.

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 statement of financial position date. Deferred tax balances are not discounted.

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

**h. Tangible fixed assets and depreciation**

Depreciation is provided by the Group to write off the cost less estimated residual value of tangible fixed assets by instalments on a straight-line basis over their estimated useful economic lives as follows:

Leasehold improvements	- over the lease term
Office equipment	- over the lease term
Computer equipment	- 3 years

**i. Dilapidations provision**

A provision is recognised for the cost of dilapidations which are due to be paid when the property lease ends. These are accrued for on a straight line basis over the life of the lease.

**j. Operating leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

**k. Post-retirement benefits**

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

**l. Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future which will rarely match the related actual outcomes. Revisions to these accounting estimates are recognised in the year in which the estimate is revised. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**i. Fair value of investments**

The fair value of investments is determined using valuation methods in accordance with International Private Equity and Venture Capital Valuation Guidelines. These values will fluctuate as a result of changes in factors such as market prices and the recoverability of amounts due from investee companies. Further details are included within note 19.

**ii. Deferred tax assets**

As stated in accounting policy 'g', a deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available to utilise the temporary timing differences. Significant judgements on the likely timing and amount of future taxable profits are required to measure the Group's deferred tax balance. Note 11 provides further detail on the Group's deferred tax assets.

# Notes to the financial statements

# Business Growth Fund Plc

For the year ended 31 December 2016

## 2. Expenses and auditor's remuneration

Profit on ordinary activities after taxation is stated after charging:

	2016 £'000	2015 £'000
Auditor's remuneration – Audit of these financial statements	25	25
Auditor's remuneration – Audit of financial statements of subsidiaries of the Company	117	96
Auditor's remuneration – Other assurance services	15	4

## 3. Staff costs

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	2016	2015
Non-executive directors	9	10
Senior management team	11	13
Investment staff	86	75
Support staff	31	27
<b>Total</b>	<b>137</b>	<b>125</b>

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages & salaries	20,750	18,336
Social security costs	2,899	2,348
Other pension costs	1,195	1,046
<b>Total staff costs</b>	<b>24,844</b>	<b>21,730</b>

At 31 December 2016, the total number of staff (including non-executive directors) was 143 (2015: 130).

The Group has implemented a long-term incentive plan ("the LTIP"). Under this plan, the Group's investments are held by BGF Investments LP or BGF Ventures LP ("the Partnerships"), which are limited partnerships registered in England & Wales. The Partnerships are part of the Group and are administered by the Company as General Partner. Employees of the Group who participate in the LTIP are admitted as limited partners of one of the Partnerships.

All investments made by the Group are allocated to an annual vintage within the LTIP based on the calendar year of the investment. If the realised return on a given vintage exceeds a minimum hurdle rate then the LTIP participants are entitled to a share of those realised returns.

As part of the annual performance appraisal and remuneration reviews, employees may be offered a number of points in relation to these vintages in return for the employee making a capital contribution to the LTIP. These points entitle them to a share of the returns allocated to the LTIP and vest over a number of years subject to the participant remaining in employment with the Group. The operation of the LTIP was approved by the Board of Directors and any points allocated to members of the senior management team are reviewed by the Remuneration Committee and the Board of Directors.

# Notes to the financial statements

For the year ended 31 December 2016

# Business Growth Fund Plc

## 4. Directors' remuneration

The emoluments of the Directors in respect of the year ended 31 December 2016 were as specified below:

	Salary and fees £'000	Bonus for the year £'000	Pension and other benefits £'000	2016 Total £'000	2015 Total £'000
<b>Executive Director</b>					
S Welton	446	562	47	1,055	912
<b>Other directors</b>	691	260	25	976	834
<b>Total director's remuneration</b>	<b>1,137</b>	<b>822</b>	<b>72</b>	<b>2,031</b>	<b>1,746</b>

S Welton was the highest paid director for the year.

S Welton and certain other directors have a share in the returns allocated to the LTIP for each vintage as described in note 3. Due to the long-term nature of the incentive plan there have been no payments made during the year nor are there any amounts outstanding at the year end.

## 5. Interest receivable

	2016 £'000	2015 £'000
Interest on bank deposits	179	225

## 6. Realised capital transactions

	2016 £'000	2015 £'000
Proceeds received	38,188	37,860
Exit Fees	(418)	(620)
Cost	(51,687)	(25,625)
Value release on disposal	14,657	(1,398)
<b>Net realised gain</b>	<b>740</b>	<b>10,217</b>

# Notes to the financial statements

# Business Growth Fund Plc

For the year ended 31 December 2016

## 7. Taxation

### a. Analysis of tax charge in the period

	2016 £'000	2015 £'000
UK corporation tax (note 7(b))	271	-
Deferred tax prior year adjustment	(105)	(19)
Origination and reversal of timing differences	(137)	(28)
Impact of changes in statutory tax rate	510	1,064
<b>Tax charge for the period</b>	<b>539</b>	<b>1,017</b>

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

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	1,024	11,364
Corporation tax at 20.00% (2015: 20.25%)	205	2,301
Effect of:		
Non-taxable income	(799)	(1,003)
Disallowed administrative expenses	179	183
Depreciation in excess of capital allowances	(14)	39
Non-taxable investment revaluations	(731)	(4,045)
Disallowable investment impairment	2,008	698
Excess management expenses carried forward	(577)	491
Capital losses carried forward	-	(438)
Partnership income and gains	-	1,774
<b>Tax charge for the period (note 7(a))</b>	<b>271</b>	<b>-</b>

### c. Deferred tax

	Balance Sheet		Income Statement	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Fixed asset timing differences	43	47	(5)	(26)
Losses available for offset against future taxable income	9,291	9,554	(263)	(991)
<b>Total deferred tax asset</b>	<b>9,334</b>	<b>9,601</b>	<b>(268)</b>	<b>(1,017)</b>

Further reductions to the UK Corporation tax rate were substantively enacted on 26 October 2015 in Finance (No 2) Bill 2015 reducing the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. On 6 September 2016, a further reduction to 17% from 1 April 2020 was substantively enacted.

The draft provisions for inclusion in Finance Bill 2017 published on 5 December 2016 propose various amendments to existing tax exemptions which apply to exempt capital gains realised by companies on disposals of certain substantial shareholdings. The changes, which would apply to disposals on or after 1 April 2017, may mean that profits realised by the Group on certain disposals may be exempt from corporation tax.

Although as at the balance sheet date Finance Bill 2017 was not substantively enacted, it is not considered that any widening of the corporation tax exemption on the disposal of substantial shareholdings by the Group would have a material impact on the deferred tax assets of the Group in relation to tax losses as the Group will continue realising profits on disposals of its investments which would be subject to corporation tax and would not be exempt.

Separately, the draft provisions for inclusion in Finance Bill 2017 also propose various reforms which restrict the availability of certain brought-forward losses. Although at the balance sheet date Finance Bill 2017 was not substantively enacted, it is not considered that, due to the size of the carried forward losses and based on the rules as drafted, there would be any material impact on the Group as a result of the proposed reforms.



# Notes to the financial statements

For the year ended 31 December 2016

# Business Growth Fund Plc

## 8. Investments

### Group

	Equity £'000	Preference Shares £'000	Loan notes £'000	Accrued Interest £'000	Total £'000
As at 1 January 2016	337,746	4,277	276,956	18,595	637,574
New investments	162,846	6,743	206,343	-	375,932
Conversions	(2,452)	7,235	(4,783)	-	-
Realisations / redemptions	(13,312)	(218)	(34,417)	-	(47,947)
Movement in accrued interest	-	-	-	19,319	19,319
Valuation movement	(17,215)	11,397	(11,490)	(7,880)	(25,188)
Closing valuation at 31 December 2016	467,613	29,434	432,609	30,034	959,690
Represented by:					
Closing book cost	465,800	18,496	470,957	41,895	997,148
Closing unrealised surplus/(deficit)	1,813	10,938	(38,348)	(11,861)	(37,458)
Closing valuation at 31 December 2016	467,613	29,434	432,609	30,034	959,690

### Company

	Equity £'000	Loan notes £'000	Total £'000
As at 1 January 2016	11,586	-	11,586
New investments	25,136	1,000	26,136
Valuation movement	(3,936)	-	(3,936)
Transfer to BGF Ventures LP	(32,786)	(1,000)	(33,786)
Closing valuation at 31 December 2016	-	-	-

During the year the Group made investments in 59 (2015: 31) companies bringing the total portfolio to 162 companies.

All investments are designated as fair value through profit or loss at initial recognition, therefore all gains and losses arising go through profit or loss. The closing unrealised deficit of £37,458,000 (2015: £26,927,000) consists of an unrealised loss against the value of 46 (2015: 31) investments totalling £152,749,000 (2015: £96,387,000), an unrealised gain against 60 (2015: 19) investments totalling £127,152,000 (2015: £73,441,000) and a provision against accrued interest of £11,861,000 (2015: £3,981,000).

An analysis of investments valued at fair value based on the reliability and significance of the information used to measure their fair value is shown below. The level is determined by the lowest (least reliable or independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety.

The Group's investments are valued according to the following classifications:

Level 1 – investments whose fair value is obtained directly from quoted share prices

Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or based on observable market data.

# Notes to the financial statements

For the year ended 31 December 2016

# Business Growth Fund Plc

The split of the closing valuation is:

## Group

	2016 £'000	2015 £'000
Level 1	106,549	7,258
Level 3	853,141	630,316
<b>Total</b>	<b>959,690</b>	<b>637,574</b>

## Company

	2016 £'000	2015 £'000
Level 1	-	-
Level 3	-	11,586
<b>Total</b>	<b>-</b>	<b>11,586</b>

There were no transfers between levels during the year.

## 9. Investment in group entities

	2016 Company £'000	2015 Company £'000
Investment in subsidiary undertakings	337	283
Long term loans to subsidiaries	872,344	580,948
<b>Total</b>	<b>872,681</b>	<b>581,231</b>

## 10. Tangible fixed assets

Group and Company	Leasehold improvements £'000	Office equipment £'000	Computer equipment £'000	Total £'000
<b>Cost</b>				
As at 1 January 2016	1,502	445	813	2,760
Additions	1,216	240	175	1,631
Disposals	(538)	(189)	(9)	(736)
<b>As at 31 December 2016</b>	<b>2,180</b>	<b>496</b>	<b>979</b>	<b>3,655</b>
<b>Accumulated depreciation</b>				
As at 1 January 2016	1,115	362	645	2,122
Charge for the period	250	66	113	429
Released on disposal	(522)	(183)	(9)	(714)
<b>As at 31 December 2016</b>	<b>843</b>	<b>245</b>	<b>749</b>	<b>1,837</b>
<b>Net book value</b>				
As at 1 January 2016	387	83	168	638
<b>As at 31 December 2016</b>	<b>1,337</b>	<b>251</b>	<b>230</b>	<b>1,818</b>

There are no assets held under finance leases.

# Notes to the financial statements

For the year ended 31 December 2016

# Business Growth Fund Plc

## 11. Debtors

	2016 Consolidated Group £'000	2016 Company £'000	2015 Consolidated Group £'000	2015 Company £'000
Trade debtors	1,675	1,675	1,485	-
Other debtors	108	13	214	16
Withholding tax debtor	2,640	-	-	-
Prepayments & accrued income	922	762	628	494
Deferred tax asset	9,334	9,334	9,601	9,601
<b>Total</b>	<b>14,679</b>	<b>11,784</b>	<b>11,928</b>	<b>10,111</b>

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

	2016 Consolidated Group £'000	2016 Company £'000	2015 Consolidated Group £'000	2015 Company £'000
Trade creditors	736	622	478	448
Taxation & social security	839	85	533	101
Other creditors	382	261	-	-
Pensions payable	1	-	99	-
Amount owed to other group companies	-	14,913	-	12,156
Accruals & deferred income	12,245	1,412	10,278	791
<b>Total</b>	<b>14,203</b>	<b>17,293</b>	<b>11,388</b>	<b>13,496</b>

## 13. Provisions

Group and Company	2016 £'000 Dilapidations	2016 £'000 Total
Balance at 1 January 2016	489	489
Provisions made during the year	48	48
Provisions released during the year	(109)	(109)
Provisions used during the year	(177)	(177)
<b>Balance at 31 December 2016</b>	<b>251</b>	<b>251</b>
Group and Company	2015 £'000 Dilapidations	2015 £'000 Total
Balance at 1 January 2015	338	338
Provisions made during the year	176	176
Provisions released during the year	-	-
Provisions used during the year	(25)	(25)
<b>Balance at 31 December 2015</b>	<b>489</b>	<b>489</b>

# Notes to the financial statements

For the year ended 31 December 2016

## Business Growth Fund Plc

### 14. Share capital

	2016 £'000	2015 £'000
<b>Authorised, Allotted, called-up and fully paid</b>		
1,083,129,000 (2015: 735,129,000) Ordinary shares of £1 each	1,083,129	735,129
<b>Total</b>	<b>1,083,129</b>	<b>735,129</b>

### 15. Minority interest

	2016 £'000
As at 1 January 2016	45
Investment in subsidiary undertakings	10
<b>As at 31 December 2016</b>	<b>55</b>

The minority interest represents capital contributions made by employees of the Group to BGF Investments LP and BGF Ventures LP in respect of the LTIP as disclosed in note 3. This amount includes £6,841 (2015: £6,023) contributed by S Welton.

### 16. Reserves

Consolidated Group	Retained earnings £'000	Total £'000
As at 1 January 2016	(34,628)	(34,628)
Gain on ordinary activities for the year (after taxation)	485	485
<b>As at 31 December 2016</b>	<b>(34,143)</b>	<b>(34,143)</b>
 Company	 Retained earnings £'000	 Total £'000
As at 1 January 2016	(93,056)	(93,056)
Loss on ordinary activities for the year (after taxation)	(34,189)	(34,189)
<b>As at 31 December 2016</b>	<b>(127,245)</b>	<b>(127,245)</b>

# Notes to the financial statements

# Business Growth Fund Plc

For the year ended 31 December 2016

## 17. Commitments

There are no capital commitments as at 31 December 2016.

Annual commitments under non-cancellable operating leases are as follows:

Group and Company	Land and buildings	
	2016 £'000	2015 £'000
Operating leases which expire:		
Less than one year	124	244
Between one and five years	198	124
More than five years	750	896

As at 31 December 2016, the Group had committed to additional funding totalling £20,915,000 (2015: £17,238,000) to 9 (2015: 14) investees, being payable subject to the achievement of various commercial milestones.

## 18. Related party transactions

The Group has placed cash deposits with Barclays Bank plc, which is a member of a group including one of the Company's shareholders. The interest receivable from these deposits was £179,000 (2015: £225,000) during the period. The balance on deposit at the period end was £87,070,000 (2015: £52,661,000). All transactions have been made on an arm's length basis.

During the year, the Company made capital contributions to BGF Investments LP of £50,000 (2015: £56,000). BGF Investments LP has been set up to provide long term incentive to staff members. As a limited partnership, BGF Investments LP does not have issued share capital.

During the year, the Company made capital contributions to BGF Ventures LP of £3,000 (2015: £nil). BGF Ventures LP has been set up to provide long term incentive to staff members. As a limited partnership, BGF Ventures LP does not have issued share capital.

Additionally, the Company advanced long term loans to BGF Investments LP and BGF Ventures LP to fund the purchase of the Group's investments. This loan is repayable out of the proceeds of these investments and has no fixed repayment schedule.

At as 31 December 2016 BGF Plc has intercompany balances with other entities within the Group; BGF Services (£14,912,635), BGF Investments LP £834,644,761, BGF Ventures LP £37,699,313 and BGF Nominees (£100).

## 19. Market risk

Market risk embodies the potential for losses on investments.

The management of this risk is dealt with through the portfolio management process and is in line with typical unquoted equity investment. Investment in smaller quoted companies (AIM), unquoted equity and loans is, by its nature, exposed to a higher degree of risk than investment in larger quoted or listed assets. Some of this risk can be mitigated by maintaining a diverse portfolio across various business sectors and asset classes.

Substantially all of the Group's investments are in unquoted companies held at fair value. Valuation methods include the use of earnings multiples derived from similar listed companies or recent comparable transactions.

A 5% increase in the valuation of unquoted investments at 31 December 2016 would have resulted in an increase to shareholders' funds of £41,155,000 (2015: £29,583,000). A 5% decrease in valuations would have decreased shareholders' funds by an equal amount.

# Notes to the financial statements

# Business Growth Fund Plc

For the year ended 31 December 2016

## 20. Interest rate risk

The Group has a number of fixed rate interest bearing financial assets. Consequently, the Group is exposed to fair value interest rate risk arising from variations in the prevailing level of market interest rates.

Group	Total Portfolio		Weighted average interest rate		Weighted average time for which rate is fixed	
	2016 £'000	2015 £'000	2016 %	2015 %	2016 Days	2015 Days
Loan stock						
- exposed to fixed interest rate risk	<b>470,957</b>	314,815	<b>10.0</b>	9.5	<b>2,159</b>	2,175

As at 31 December 2016, the Group held £470,957,000 (2015: £314,815,000) of fixed rate loan notes (shown in note 8). The weighted average interest rate on these loan notes is 10.00% (2015: 9.50%) and 11.82% (2015: 10.50%) including redemption premiums.

As at 31 December 2016, the Group has cash balances of £87,070,000 (2015: £52,661,000) on deposit. Interest on these deposits is variable at LIBOR less 0.15% (2015: 0.35% fixed).

## 21. Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to meet an obligation or commitment that it has entered into with the Group. The Company has in place a monitoring procedure in respect of counterparty risk which is reviewed on an on-going basis. The maximum credit risk exposure at the balance sheet date is best represented by the carrying value.

As at 31 December 2016, the Group and Company had the following credit risk exposure:

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Cash at bank and on hand	<b>87,308</b>	<b>87,145</b>	62,283	52,492
Interest, dividends and other receivables	<b>34,402</b>	<b>1,680</b>	20,136	13
<b>Total</b>	<b>121,710</b>	<b>88,825</b>	<b>82,419</b>	<b>52,505</b>

Substantially all of the cash of the Group and the Company is held by Barclays Bank plc. As at 31 December 2016, £nil (2015: £9,622,000) was held in our lawyers' bank accounts prior to completion of an investment. The Company monitors the credit quality and financial position of Barclays regularly and would seek to move the cash holdings if this position deteriorated.

The Company has exposure to credit risk in respect of the loan stock investments it has made into investee companies, most of which have no security attached to them, and where they do, such security ranks behind any bank debt that an investee company may have. The Board manages credit risk by ensuring management accounts are received from portfolio companies, and members of the investment management team often sit on the boards of unquoted portfolio companies; enabling the close identification, monitoring and management of investment-specific credit risk.

## 22. Liquidity risk

The Group's financial instruments include investments in unquoted equity investments which are not traded on a recognised public market and which are generally illiquid. As a result, the Group may not be able to quickly liquidate some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements.

The Group's liquidity risk is monitored on an on-going basis in accordance with the policies and procedures in place.

The Group maintains sufficient investments in cash to pay any short-term liabilities. In addition, the Company can issue new share capital in accordance with the Master Subscription Agreement with its Shareholders. This additional share capital is available to fund both investment and operational expenditure.

## 23. Subsequent events

There are no subsequent events which the Board consider would have a material impact on the users of the financial statements.

## Notes to the financial statements

For the year ended 31 December 2016

## Business Growth Fund Plc

### 24. Related undertakings

#### a. Subsidiaries

Subsidiaries are all entities over which the Company has control. Control is defined as the rights to direct relevant activities of an entity so as to obtain benefits from its activities. This generally results from a shareholding of more than 50% of voting rights.

The principal subsidiaries of BGF at the end of the year and the percentage of equity capital are set out below.

Company name	Country of incorporation	Registered office	Holding	Class of share	Number of shares	BGF % of class of shares	Nominal value £
BGF Services Ltd	GB	13-15 York Buildings, London, WC2N 6JU	Direct	Ordinary	100	100	100
BGF Investments LP	GB	13-15 York Buildings, London, WC2N 6JU	Direct	Ordinary	Partnership Interest	-	-
BGF Nominees Ltd	GB	13-15 York Buildings, London, WC2N 6JU	Direct	Ordinary	100	100	100
BGF Ventures LP	GB	13-15 York Buildings, London, WC2N 6JU	Direct	Ordinary	Partnership Interest	-	-

#### b. Significant holdings in undertakings other than subsidiary holdings

Under section 409 of the Companies Act 2006, BGF is required to disclose specified details of all its related undertakings including significant holdings.

The significant holdings in undertakings of BGF are investments carried at fair value through profit and loss, in which BGF's holding amounts to 20% or more of the nominal value of any class of shares in the undertaking.

The significant holdings in undertakings of BGF plc at the end of the year are set out below.

Company name	Country of incorporation	Registered office	Holding	Class of share	Number of shares	BGF % of class of shares	Nominal value £
Benefex Holdings Limited	GB	Mountbatten House, Grosvenor Square, Southampton, Hampshire, SO15 2JU	Indirect	A Ordinary of £0.01 each	6,500	100	65
Statesman Travel Group Limited	GB	Senator House, 85 Queen Victoria Street, London, EC4V 4AB	Indirect	A Ordinary of £1 each	201,446	100	201,446
STATS (UK) Limited	GB	7 - 9 Bon Accord Crescent, Aberdeen, AB11 6DN	Indirect	A Ordinary of £0.01 each	34,179	100	342
Barbunto Limited	GB	65 Deansgate, Manchester, M3 2BW	Indirect	A Ordinary of £1 each	257,281	99	257,281



## Notes to the financial statements

For the year ended 31 December 2016

## Business Growth Fund Plc

Company name	Country of incorporation	Registered office	Holding	Class of share	Number of shares	BGF % of class of shares	Nominal value £
M-Squared Lasers Limited	GB	Venture Building 1 Kelvin Campus, West of Scotland Science Park, Maryhill Road, Glasgow, G20 0SP	Indirect	A Ordinary of £0.01 each	1,846,855	100	18,469
Wear Inns Limited	GB	The Old Brewery, Castle Eden, Hartlepool, Cleveland, TS27 4SU	Indirect	G Ordinary of £0.001 each	95,274	100	95
Wear Inns Limited	GB	The Old Brewery, Castle Eden, Hartlepool, Cleveland, TS27 4SU	Indirect	B2 Preference of £0.001 each	39,088	46	39
Meika Limited	GB	44 Portman Road, Reading, Berkshire, RG30 1EA	Indirect	A Ordinary of £0.01 each	4,745	100	47
SHG (Care Villages) Limited	GB	2 Fusion Court, Aberford Road, Garforth, Leeds, LS25 2GH	Indirect	Preferred A Ordinary of £0.01 each	164,000	100	1,640
SHG (Care Villages) Limited	GB	2 Fusion Court, Aberford Road, Garforth, Leeds, LS25 2GH	Indirect	B Ordinary of £0.01 each	371,788	100	3,718
SHG (Care Villages) Limited	GB	2 Fusion Court, Aberford Road, Garforth, Leeds, LS25 2GH	Indirect	C Ordinary of £0.01	53,025	18	530
Cennox Holdings Limited	GB	Units 11 & 12, Admiralty Way, Camberley, Surrey, GU15 3DT	Indirect	A Ordinary of £1 each	48,830	100	48,830
AFG Media Limited	GB	25 Silvermills Court, Henderson Place Lane, Edinburgh, EH3 5DG	Indirect	A Ordinary of £0.00005 each	16,157	100	1
Workshare Technology Holdings Limited	GB	20 Fashion Street, London, E1 6PX	Indirect	Series A of £0.001 each	622,931	36	623
Decision Technologies Limited	GB	First Floor, High Holborn House, 52 – 54 High Holborn, London, WC1V 6RL	Indirect	A Ordinary of £0.001 each	13,320,428	100	13,320
SHS Integrated Services Limited	GB	Unit 15A, Atlantic Business Park, Barry, Vale of Glamorgan, CF63 3RF	Indirect	A Ordinary of £1	1	100	1
SHS Integrated Services Limited	GB	Unit 15A, Atlantic Business Park, Barry, Vale of Glamorgan, CF63 3RF	Indirect	AA Ordinary of £1 each	1	100	1
SHS Integrated Services Limited	GB	Unit 15A, Atlantic Business Park, Barry, Vale of Glamorgan, CF63 3RF	Indirect	Ordinary of £1 each	156	34	156
TD4 Brands Limited	GB	Abbots Moss Hall, Oakmere, Cheshire, CW8 2ES	Indirect	A Ordinary of £1 each	409,553	100	409,553
TD4 Brands Limited	GB	Abbots Moss Hall, Oakmere, Cheshire, CW8 2ES	Indirect	C Ordinary of £1 each	133,885	100	133,885
Camino Leisure Holdings Limited	GB	1-3 Manor Road, Chatham, England, ME4 6AE	Indirect	A Ordinary of £1 each	1,215	100	1,215

## Notes to the financial statements

For the year ended 31 December 2016

## Business Growth Fund Plc

Company name	Country of incorporation	Registered office	Holding	Class of share	Number of shares	BGF % of class of shares	Nominal value £
Bullitt Group Limited	GB	One Valpy, Valpy Street, Reading, RG1 1AR	Indirect	A Ordinary of £0.0001 each	183,705	100	18
Bullitt Group Limited	GB	One Valpy, Valpy Street, Reading, RG1 1AR	Indirect	A1 Ordinary of £0.0001 each	85,479	100	9
Celaton Limited	GB	Noble House, Capital Drive, Milton Keynes, MK14 6QP	Indirect	B Ordinary of £0.01 each	77,777	100	778
Celaton Limited	GB	Noble House, Capital Drive, Milton Keynes, MK14 6QP	Indirect	Preference of £0.001 each	1	100	0
Aubin Limited	GB	13 Queens Road, Aberdeen, AB15 4YL	Indirect	A Ordinary of £1 each	2,269	100	2,269
Petrotechnics Limited	GB	Pavilion 5 Craigshaw Business Park, Craigshaw Road, Aberdeen, AB12 3QH	Indirect	A Ordinary of £0.01 each	1,024,971	100	10,250
PTS Consulting Group Limited	GB	60 New Borad Street, 5th Floor, London, EC2M 1JJ	Indirect	B1 Ordinary	351,724	100	351,724
Magmatic Limited	GB	Shaftesbury Chapel, Union Road, Bristol, BS2 0LP	Indirect	A Ordinary of £0.01 each	42,317	100	423
Betterbathrooms (UK) Limited	GB	Horizon Park, Greenfold Way, Leigh, Lancashire, WN7 3XH	Indirect	A Ordinary of £0.001 each	34,509	100	35
Urdgrup Limited	GB	10 (3rd Floor), Fumival Street, London, EC4A 1YH	Indirect	A Ordinary of £0.01 each	61,214,419	100	612,144
Urdgrup Limited	GB	10 (3rd Floor), Fumival Street, London, EC4A 1YH	Indirect	A Ordinary of £0.001 each	32,385,122	100	32,385
Inoapps Limited	GB	2 Fountainhall Road, Aberdeen, AB15 4DT	Indirect	A Ordinary of £0.01 each	20,890	100	209
Inoapps Limited	GB	2 Fountainhall Road, Aberdeen, AB15 4DT	Indirect	C Ordinary of £0.01	3,526	100	35
Wright Leisure Limited	GB	Unit 1, Kirkstall Industrial Estate, Kirkstall Road, Leeds, LS4 2AZ	Indirect	A Ordinary of £0.001 each	350	100	0
Wright Leisure Limited	GB	Unit 1, Kirkstall Industrial Estate, Kirkstall Road, Leeds, LS4 2AZ	Indirect	B Ordinary of £0.001 each	50	100	0
Wright Leisure Limited	GB	Unit 1, Kirkstall Industrial Estate, Kirkstall Road, Leeds, LS4 2AZ	Indirect	C Ordinary of £0.001 each	80	100	0
Wright Leisure Limited	GB	Unit 1, Kirkstall Industrial Estate, Kirkstall Road, Leeds, LS4 2AZ	Indirect	C1 Ordinary of £0.001 each	40	100	0
Art-Line Limited	GB	66-67 Colebrooke Row, Islington, London, N1 8AB	Indirect	A Ordinary of £0.000001 each	1,336,460	100	1
Duncan and Todd (Group) Limited	GB	14 Crowne Terrace, Aberdeen, AB11 6HE	Indirect	A Ordinary of £1 each	311,700	100	311,700

# Notes to the financial statements

# Business Growth Fund Plc

For the year ended 31 December 2016

Company name	Country of incorporation	Registered office	Holding	Class of share	Number of shares	BGF % of class of shares	Nominal value £
Palmer Hargreaves Holdings Limited	GB	18 The Parade, Leamington Spa, Warwickshire, CV32 4DW	Indirect	A Ordinary of £1 each	4,338	100	4,338
Thames Card Technology Limited	GB	Thames House Arterial Road, Rayleigh, Essex, SS6 7UQ	Indirect	A Ordinary of £1 each	48,583	100	48,583
Mono Global Group Limited	GB	Third Floor, 48 St Vincent Street, Glasgow, Lanarkshire, G2 5TS	Indirect	A Ordinary of £0.25 each	538,076	100	134,519
Jumpstart (Scotland) Limited	GB	6 Atholl Crescent, Edinburgh, EH3 8HA	Indirect	A Ordinary of £0.001 each	127,484	100	127
ACS Clothing Group Limited	GB	6 Dovecote Road, Centralpoint Logistics Park, Eurocentral, Motherwell, North Lanarkshire, Scotland, ML1 4GP	Indirect	A Ordinary of £1 each	20,707	100	20,707
Rutland Cycling 2013 Limited	GB	310 Wellingborough Road, Northampton, Northamptonshire, NN1 4EP	Indirect	A Ordinary of £0.01 each	714	64	7
Spex Group Holdings Limited	GB	Blackwood House, Union Grove Lane, Aberdeen, AB10 6XU	Indirect	A Ordinary of £0.01 each	5,244	100	52
3Sun Group Limited	GB	3 Sun House Boundary Road, Southtown, Great Yarmouth, Norfolk, NR31 0FB	Indirect	A Ordinary of £1 each	4,847	100	4,847
Task Fronterra Geoscience Limited	GB	Union Plaza (6th Floor), 1 Union Wynd, Aberdeen, AB10 1DQ	Indirect	A Ordinary of £0.001 each	66,891	100	67
T.C.L Holdings (Parent) Limited	GB	Fern Court Derby Road Denby Ripley Derbyshire DE5 8LG	Indirect	A Ordinary of £0.00001	3,200,000	100	32
T.C.L Holdings (Parent) Limited	GB	Fern Court Derby Road Denby Ripley Derbyshire DE5 8LG	Indirect	A Preferred Ordinary of £0.00001	800,000	82	8
Gymbox Holdco Ltd	GB	4th Floor Brownlow House, 50-51 High Holborn, London, WC1V 6ER	Indirect	A Ordinary of £0.10 each	26,102	100	0
Gymbox Holdco Ltd	GB	4th Floor Brownlow House, 50-51 High Holborn, London, WC1V 6ER	Indirect	A Preference of £0.0001	24,803,384	100	2,480
Flowline Limited	GB	Rawreth Industrial Estate, Rawreth Lane, Rayleigh, Essex, SS6 9RL	Indirect	A Ordinary of £1 each	14,000	100	14,000
VirtualPie Limited	GB	The Fluid Engineering Centre Cranfield, Bedfordshire, MK43 0AJ	Indirect	A Ordinary of £1 each	66,389	100	66,389
Horbury Group Limited	GB	South Grove House, South Grove, Rotherham, South Yorkshire, S60 2AF	Indirect	A Ordinary of £1 each	3,842	100	3,842
EVGH Limited	GB	Trafalgar House, Kemble Enterprise Park, Kemble, Cirencester, Gloucestershire, GL7 6BQ	Indirect	A Ordinary of £0.01 each	530,210	100	5,302
EVGH Limited	GB	Trafalgar House, Kemble Enterprise Park, Kemble, Cirencester, Gloucestershire, GL7 6BQ	Indirect	Deferred Ordinary of £0.01 each	52,490,790	18	524,908

# Notes to the financial statements

For the year ended 31 December 2016

## Business Growth Fund Plc

Company name	Country of incorporation	Registered office	Holding	Class of share	Number of shares	BGF % of class of shares	Nominal value £
EVGH Limited	GB	Trafalgar House, Kemble Enterprise Park, Kemble, Cirencester, Gloucestershire, GL7 6BQ	Indirect	Ordinary of £0.01 each	1,135,793	39	11,358
Crossco (1370) Limited	GB	Windemere MRF, Thomlinson Road, Hartlepool, United Kingdom, TS25 1NS	Indirect	A Ordinary of £1 each	72,000	100	72,000
Virtual1 Limited	GB	6th Floor Alphabeta, 14-18 Finsbury Square, London, EC2A 1BR	Indirect	A Ordinary	24,345	100	243
Canburg Limited	GB	The Hopton Works, Hopton Industrial Estate, London Road, Devizes, Wiltshire, SN10 2EU	Indirect	A Ordinary of £1 each	124,320	100	124,320
Semafone Limited	GB	3 The Billings, Walnut Tree Close, Guildford, Surrey, GU1 4UL	Indirect	A2 Ordinary	374,893	65	375
Tasker Investments Limited	GB	Unit 3 Evans Business Centre, Hartwith Way, Harrogate, North Yorks, HG3 2XA	Indirect	A Ordinary of £0.01 each	57,114	100	571
Renal Services (UK) Limited	GB	22A Ives Street, London, SW3 2ND	Indirect	A Ordinary of £1 each	813,658	100	813,658
Reconnaissance Ventures Limited	GB	Building 21, Anson Road, East Midlands Airport, Derby, DE74 2SA	Indirect	A Ordinary of £0.001 each	3,973,684	100	3,974
Import Fashion Solutions Limited	GB	KPMG 1 Sovereign Square Street Leeds West Yorkshire, LS1 4DA	Indirect	Ordinary of £0.01 each	5,363	20	54
McMillan Williams Solicitors Limited	GB	MW House, 41 Chipstead Valley Road, Coulsdon, Surrey, CR5 2RB	Indirect	A Ordinary of £1 each	3,798	100	3,798
East Sussex Print Limited	GB	Beacon House, Brambleside, Bellbrook Park Uckfield, East Sussex, TN22 1PL	Indirect	A Ordinary of £0.01 each	390,000	100	3,900
MCFL Holdings Limited	GB	Block B, Imperial Works, Perren Street, London, NW5 3ED	Indirect	A Ordinary of £0.001 each	3,064,000	100	3,064
SLG Allstars Limited	GB	Liberty House, Saint Catherine Street, Gloucester, GL1 2BX	Indirect	A Ordinary of £1 each	5,400	100	5,400
Hobs Group Limited	GB	14 Castle Street, Liverpool, L2 0NE	Indirect	A Ordinary of £0.01 each	2,482	100	25
Zone Limited	GB	64 New Cavendish Street, London, W1G 8TB	Indirect	B Ordinary of £0.01 each	3,660,986	100	36,610
Zone Limited	GB	64 New Cavendish Street, London, W1G 8TB	Indirect	B1 Ordinary of £0.0025 each	3,489,914	100	8,725
Shepherd Direct Limited	GB	3-4 Regan Way, Chetwynd Business Park, Chilwell, Nottingham, NG9 6RZ	Indirect	A Ordinary of £1 each	422,735	100	422,735
Vysiion Limited	GB	Connect 17 Avon Way, Langley Park, Chippenham, Wiltshire, SN15 1GG	Indirect	A Ordinary of £1 each	82,363	99	82,363
The Rethink Group Limited	GB	The Crane Building, 22 Lavington Street, London, SE1 0NZ	Indirect	A Ordinary of £0.01 each	25,000,000	100	250,000

## Notes to the financial statements

For the year ended 31 December 2016

## Business Growth Fund Plc

Company name	Country of incorporation	Registered office	Holding	Class of share	Number of shares	BGF % of class of shares	Nominal value £
The Coaching Inn Group Limited	GB	Friars House, Quaker Lane, Boston, Lincolnshire, PE21 6BZ	Indirect	A Ordinary of £0.01 each	14,720	100	147
ROVOP Limited	GB	Silvertrees Drive, Westhill, Aberdeen, AB32 6BH	Indirect	A Ordinary of £0.10 each	4,336	100	434
ROVOP Limited	GB	Silvertrees Drive, Westhill, Aberdeen, AB32 6BH	Indirect	A Ordinary of £0.0001 each	53	100	0
LCV Hire Solutions Limited	GB	64 Knightsbridge, London, SW1X 7JF	Indirect	A Ordinary of £1 each	1,121,005	100	1,121,005
LCV Hire Solutions Limited	GB	64 Knightsbridge, London, SW1X 7JF	Indirect	Ordinary of £0.0001 each	63,542	2	6
Prodrive Composites Limited	GB	Precedent Drive, mlyon Keynes, Buckinghamshire, MK13 8PE	Indirect	A Ordinary of £0.00001 each	35,000	100	0
Media Based Attractions Limited	GB	37 Second Avenue, The Pensnett Estate, Kingswinford, West Midlands, DY6 7UL	Indirect	A Ordinary of £0.01 each	371,739	90	3,717
Media Based Attractions Limited	GB	37 Second Avenue, The Pensnett Estate, Kingswinford, West Midlands, DY6 7UL	Indirect	E Ordinary of £0.00001 each	3,256	66	0
Altec Engineering Group Limited	GB	Unit 1, Bowburn North Industrial Estate, Bowburn, Durham, England, DH6 5PF	Indirect	A Ordinary of £1 each	1,459	100	1,459
FCG Worldwide Limited	GB	20 St Thomas Street, London, SE1 9BF	Indirect	A Ordinary of £1 each	30,000	100	30,000
PPS Equipment Holdings Limited	GB	Units 8-13 Marchington Industrial Estate, Stubby Lane, Marchington, Uttoxeter, Staffordshire, ST14 8LP	Indirect	Ordinary of £0.01 each	26,225	100	262
Total Recycling Services Limited	GB	Lingfield Way, Yarn Road Business Park, Darlington, Co Durham, DL1 4PZ	Indirect	A Ordinary of £0.00001 each	2,805,000	100	28
Keenan (Recycling) Limited	GB	6-7 Queens Terrace, Aberdeen, AB10 1XL	Indirect	A Ordinary of £0.01 each	4,590	100	46
RMS International Limited	GB	Minerva House, Pendlebury Road, Swinton, Manchester, M27 4EQ	Indirect	A Ordinary of £0.01 each	2,006,835	100	2,007
Acro Aircraft Seating Limited	GB	Old Brighton Road, Lowfield Heath, Crawley, West Sussex, RH11 0PR	Indirect	A Ordinary of £0.01 each	112,500	100	113
M.P.K. Group Limited	GB	MPK House, 318 Melton Road, Leicester, LE4 7SL	Indirect	A Ordinary	39,999	100	39,999
Giggling Restaurants Limited	GB	2 The Billings, Walnut Tree Close, Guildford, GU1 4UL	Indirect	A Ordinary	29,910	100	1
EEL Holdings Limited	GB	Unit 3, Arlington Court, Cannel Row, Silverdale, Newcastle-under-Lyme, Staffordshire, ST5 6SS	Indirect	A Ordinary of £0.01 each	7,380	100	74
Adestra Limited	GB	Holywell House, Osney Mead, Oxford, Oxfordshire, OX2 0EA	Indirect	A Ordinary of £0.000001 each	46,250,000	100	46

# Notes to the financial statements

# Business Growth Fund Plc

For the year ended 31 December 2016

Company name	Country of incorporation	Registered office	Holding	Class of share	Number of shares	BGF % of class of shares	Nominal value £
Hawk Plant (UK) Limited	GB	Charleston House, Cruckmoor Lane, Prees Green, Whitchurch, Shropshire, SY13 2BS	Indirect	A Ordinary of £1 each	245	100	245
Olive Communication Solutions Limited	GB	Olive House Mercury Park, Woodburn Green, High Wycombe, Buckinghamshire, HP10 0HH	Indirect	D Ordinary of £0.001 each	516,200	100	516
Paintbox Group Limited	GB	36-44 Melchett Road, Kings Norton, Birmingham, West Midlands, B30 3HS	Indirect	A Ordinary of £1 each	14,250	100	14,250
Georgia GC Holdings Limited	GB	2 Oakwater Avenue, Cheadle Royal Business Park, Cheadle, SK8 3SR	Indirect	A Ordinary of £1 each	1,368,889	28	1,368,889
Anstey Home & Co. Limited	GB	4 Chiswell Street, London, EC1Y 4UP	Indirect	A Ordinary of £1 each	3,527	100	3,527
Solid Solutions Management Limited	GB	Olympus House Olympus Avenue, Leamington Spa, Warwickshire, England, CV34 6RJ	Indirect	A Ordinary of £0.0001 each	335,000	1,000	34
Nonwovenn Ltd	GB	BFF Business Park, Bath Road, Bridgwater, Somerset, TA6 4NZ	Indirect	C Ordinary of £0.001	31,875	100	32
Sofology Limited	GB	Golborne Point, Ashton Road, Golborne, Warrington, WA3 3UL	Indirect	E Ordinary of £0.10 each	8,131	100	813
Pharmacy2U Limited	GB	1 Hawthorn Road, Coal Road, Leeds, LS14 1PQ	Indirect	A1 Ordinary of £0.10 each	3,324,356	100	332,436
Pharmacy2U Limited	GB	1 Hawthorn Road, Coal Road, Leeds, LS14 1PQ	Indirect	A2 Ordinary of £0.10 each	1,903,579	100	190,358
River Ridge Holdings Limited	GB	56 Craigmole Road Garvagh, Coleraine, United Kingdom, BT51 5HF	Indirect	A Ordinary of £1 each	2,684	100	2,684
High Access Maintenance Limited	GB	239 Ashley Road, Altrincham, Greater Manchester, WA15 9NE	Indirect	A Ordinary of £0.005 each	2,061	100	10
Johnsons Aggregates and Recycling Limited	GB	Johnsons Recycling Centre, Crompton Road, Off Merlin Way, Ilkeston, Derbyshire, DE7 4BG	Indirect	A Ordinary of £0.01 each	3,125	100	31
Ocee International Limited	GB	Design House, Caswell Toas, Brackmills Industrial Estate, Northampton, NN4 7PW	Indirect	A Ordinary of £1 each	4,419	100	4,419
Kids Planet Day Nurseries Limited	GB	231 Higher Lane, Lymm, United Kingdom, WA13 0NA	Indirect	A Ordinary of £0.01 each	9,950	100	100
Wales Environmental Holdings Limited	GB	The Old Airfield, Templeton, Narberth, Pembrokeshire, SA67 8SR	Indirect	A Ordinary of £1 each	51,286	100	51,286
Coppergreen Developments Limited	GB	Beeley House, Unit 26 Whamcliffe Industrial Complex, Station Road, Deepcar, Sheffield, S36 2UZ	Indirect	A Ordinary of £0.0001 each	963,966	100	96
Bar Soba Group Ltd	GB	6th Floor, Gordon Chambers 90 Mitchell Street, Glasgow, Scotland, G1 3NQ	Indirect	A Ordinary of £0.01 each	4,191	100	42

## Notes to the financial statements

For the year ended 31 December 2016

## Business Growth Fund Plc

Company name	Country of incorporation	Registered office	Holding	Class of share	Number of shares	BGF % of class of shares	Nominal value £
Woodall Nicholson Holdings Limited	GB	Colmil Works Hart Common, Wigan Road, Westhoughton, Bolton, Lancashire, BL5 2EE	Indirect	G Ordinary	249,000	100	249
Setfords Law Ltd	GB	Jenner House, 1a Jenner Road, Guildford, Surrey, GU1 3PH	Indirect	A Ordinary of £0.00001 each	520,000	100	5
APSU USA Limited	GB	Apsu House The Mallards, South Cerney, Cirencester, England, GL7 5TQ	Indirect	A Ordinary of £0.0001 each	34,750	100	3
Paddle.com Market Limited	GB	15 Briery Close, Great Oakley, Corby, Northamptonshire, NN18 8JG	Indirect	A2 Ordinary of £0.01 each	47,985	80	480
Hoop Industries Ltd	GB	Fourth Floor, 9-10 Charterhouse Buildings, Goswell Road, London, EC1M 7AN	Indirect	A Ordinary of £0.01 each	23,342,670	95	233,427