LITERACY CAPITAL

Report and Financial Statements for Literacy Capital plc

For the three months ended 31 March 2022

Contents

Throughout the Report and Financial Statements, Literacy Capital plc is also referred to as "Literacy Capital", the "Company", or "BOOK"

Performance Highlights

Focus on helping to build great businesses to generate superior returns

- **NAV per ordinary share of 320.0p**[1]
  - Net assets of **£192.0m**[1], an increase of **15.4%** in the three month period to 31 March 2022 and **99.2%** over the last twelve months
  - The FTSE Investment Company Index and FTSE All-Share Index returned 2.7% and 9.3% respectively over the last twelve months
  - The share price closed the period at 297p, delivering a 0.7% return in the three month period, and 85.6% higher than the price on Admission to the London Stock Exchange on 25 June 2021

- **Portfolio companies enjoying strong trading momentum, with active assistance from the Literacy Capital team to accelerate growth**
  - Portfolio comprised of buyout, growth capital and fund investments, with significant exposure to companies delivering strong growth since our investment
  - **86% revenue growth** and **130% EBITDA growth** on a weighted average, Last Twelve Months (" LTM") basis across the seven buyout investments within Literacy Capital's top 10 direct holdings. These seven companies represent 67.2% of NAV

- **Continued focus on managing cash across the portfolio and generating high returns on invested capital**
  - **£5.8m received** in the three month period, partly funding **£6.5m of reinvestment** into high performing portfolio companies
  - **Strong pipeline** of new investment opportunities. Literacy Capital has access to a **£15m revolving credit facility**, providing the fund with additional flexibility and capital, whilst enabling the fund to remain heavily invested. This was unutilised throughout the period

- **Increasing charitable donations, helping disadvantaged children across the UK get a fair chance**
  - **£434k of charitable donations** in the three month period to 31 March 2022, taking total donations in the last twelve months to £1,744k
  - Total donations of **almost £3.9m** since inception of Literacy Capital

Performance to 31 March 2022

% total return	3 months	1 year	3 years	Since Inception
BOOK Net asset value	**+15.4%**	**+99.2%**	**+220.4%**	**+255.5%**
BOOK Share Price	**+0.7%**	**n/a**	**n/a**	**n/a**
FTSE Investment Company Index	(8.5)%	+2.7%	+36.3%	+43.3%
FTSE All-Share Index	(0.5)%	+9.3%	+5.3%	+1.5%

[1] The NAV currently excludes certain deferred tax liabilities shown in the Company's financial statements, on the basis that these amounts are not expected to become payable in the future should the Company receive approval of its investment trust status. In the event that the Company does not receive such approval, the deferred tax liabilities will need to be taken into account in calculating the net asset value per ordinary share going forward

Helping to build great businesses

Our purpose is to invest in and support predominantly UK based companies and to help their management teams achieve long-term success. Our closed-ended, permanent capital structure means we can be a long-term, highly ambitious and flexible partner. We are focused on smaller businesses, where our expertise can greatly enhance the size and value of these companies, contributing to superior returns for BOOK shareholders. We are also proud to have a charitable mission helping disadvantaged children in the UK learn to read, giving them a fair chance in life.

Richard Pindar, CEO of the Investment Manager and Director of Literacy Capital plc, commented:

"Pleasingly, our largest portfolio companies continue to trade strongly in the early months of 2022. Despite macroeconomic challenges and the tragic events in Ukraine, the companies are performing well and demonstrating positive momentum, which we believe will fuel further increases in NAV during the rest of 2022. The recent NAV growth that has been achieved has largely been driven by higher earnings across several companies, rather than reliance on a single asset or multiple inflation. Moreover, we are helping to build increasingly valuable businesses that are becoming more attractive to possible acquirors. Often meaningful uplifts and value creation from individual companies may not be realised until year two or three following BOOK's investment, with the J-curve thereafter continuing to steepen. It is no coincidence or surprise that all of BOOK's five most valuable investments were completed in 2018. Pleasingly, many of the more recent investments, which sit outside of the top five holdings, are also trading ahead of plan. We are very confident that these companies can become strong contributors to *performance in the remainder of 2022 and future periods.*

The priorities with our portfolio and prospective investment activities remain consistent with our overall approach in recent years. We continue to have conversations with owners of businesses that are looking to benefit from the support that we can provide and the growth that we can help to encourage. We have an increasing number of relevant and positive case studies in the Literacy Capital portfolio, which provide positive references regarding our way of working and value that we have helped to create. Our focus remains on investing in businesses that can be expanded ambitiously, whilst preserving their respective cultures that have been built over many years. Success at the level of the portfolio companies provides greater opportunities for the existing employees and many of the local communities where the businesses are based, whilst translating into strong returns for BOOK's shareholders, as well as increasing charitable donations each year to help disadvantaged children."

Comparison to prior financial period

	3 months to/as at 31 Mar 2022	12 months to/as at 31 Dec 2021
Net asset value[1]	**£192.0m**	**£166.3m**
NAV per ordinary share[1]	**320.0p**	**277.2p**
Capital invested	£6.5m	£13.2m
Cash realised	£5.8m	£11.8m
Charitable donation provision	£434k	£1,527k

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Strategic Report

Literacy Capital plc is an investment company run for private and institutional investors. The Company's objectives are:

- To achieve long term capital growth through making investments in accordance with the Investment Policy; and
- To provide a consistent donation to registered charities selected by the Investment Manager with the approval of the Board (more detail is set out under the Charitable Mission section on page 13).

During the three month period, the trading and financial performance of the majority of the underlying companies was strong, with three standout performers amongst them. Two portfolio companies which had continued to feel the negative effects of Covid-19 throughout 2021 have both shown signs of recovering in the three months to 31 March 2022, and we fully expect them to both return to pre-Covid-19 levels of trading in 2022. All the portfolio companies were securely positioned going into April 2022 and we expect them all to have the liquidity and ability to trade successfully through this year and into 2023.

In the three month period under review, the net asset value (NAV) of assets under management of the Company increased from £166.3m to £192.0m[1].

It is the intention of Literacy Capital plc to obtain investment trust status in 2022. In order to do this, Literacy Capital plc shortened the initial accounting period in 2022 to three months, so that it ran from 1 January 2022 to 31 March 2022. The following accounting period is then expected to be nine months long and end on 31 December 2022, in line with previous accounting periods. This additional three-month financial period and statutory audit is being established because once all conditions to qualify for investment trust status are met, this status only takes effect from the beginning of the next financial period. As a result, it is the Board's view that this course of action is in the best interest of shareholders.

Investment Objective

The Company's principal activity is to invest in and support small, growing businesses, predominantly UK-businesses. The Company will also make other investments, in private and public businesses, which may be denominated in foreign currencies. Its investment policy is set out in full in the Additional Information Section of this report.

The Company will invest and manage its assets with the objective of spreading risk. No single investment will represent more than 20 per cent of Gross Assets, calculated at the time of that investment. The Company will not be required to dispose of any investment or rebalance its portfolio as a result of a change in the respective value of any of its investments.

Performance Comparison

The Company uses the FTSE All-Share Closed End Investment Trust Index ("the Index") as a comparator for the purpose of monitoring performance and risk but the composition of the Index has no influence on investment decisions. The Index represents the performance of Investment Trusts from the FTSE UK Index Series. These Investment Trusts operate in a way and invest in similar types of companies to Literacy Capital plc, and as such the Investment Manager has deemed the Index to be the best comparator for the company.

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Chairman's Statement

Literacy Capital plc has performed strongly in the 3 months to 31 March 2022.

The Investment Manager's review following this introduction provides considerable detail regarding our investment performance. But, in summary, our fund is making excellent progress.

Our shares were admitted to the Specialist Fund Segment of the London Stock Exchange's Main Market on 25 June at a price of 160p. On 31st March 2022, our mid-market closing price was 297p and our shares stood at 380p on 30 May 2022.

We set up Literacy Capital with the mission to operate differently from 'traditional' private equity. We are a closed-end fund which means we have no pressure and no incentive to sell high performing investments prematurely. We can take a very long term view, which is highly attractive to both company vendors (who want the stability we offer for their employees) and the management teams with whom we partner.

We have 3 clear objectives in building Literacy Capital. I will cover all three.

First, we want to create material value for our shareholders. We have made a good start with shareholders enjoying a gain of 138% since our listing in June 2021. It is worth noting that we are highly aligned with shareholders as a whole, as the team that is responsible for investing shareholder's money, their family members and the Board of Directors collectively own over 50% of Literacy Capital itself. Furthermore, no performance fees nor carried interest is charged by Literacy Capital plc's investment manager. These fee structures are typically a significant burden on shareholder returns.

Secondly, we want to help to build great companies. We do not view businesses as chattels to be bought and sold for a swift profit. Instead, we want to work collegiately with our management to improve businesses, to strengthen teams, to execute buy-and-build strategies and to provide experience, support, advice and confidence. We are highly motivated to help UK smaller companies to thrive and succeed. And the 16 companies we now have in our portfolio are repaying us handsomely with their progress and with the value they are creating.

Thirdly, we are proud to have a charitable mission at the heart of our activities. Since the formation of Literacy Capital, we have already demonstrated that making money whilst helping others are highly compatible activities. Our mission is to help disadvantaged children in the UK learn to read. Each year, we donate 0.9% of NAV to literacy charities in the UK. Total donations since the set up of Literacy Capital in 2017 now exceed £3.8m. Our work in this area is being led particularly by Bookmark Reading, a charity which is now supporting thousands of young children each year.

We are very pleased with the progress of Literacy Capital to date. We are shareholders in some fine businesses, led by some outstanding managers and where the future prospects are strong. We are confident that shareholders will enjoy continued value creation over both the short and long term.

Paul Pindar
Chairman
1 June 2022

Investment Manager's Report

BOOK Performance Highlights For The Three Month Period To 31 March 2022

320.0p NAV per ord. share[1] (31 Dec 2021: 277.2p)	**£192.0m** £m NAV[1] (31 Dec 2021: £166.3m)
£6.5m Capital invested in the 3 months to 31 March (2021: £13.2m)	**£5.8m** Cash realised in the 3 months to 31 March (2021: £11.8m)
+85.6% Shareholder total return to 31 March (since listing on 25 June 2021)	**£434k** Charitable donation provision in the 3 months to 31 March (2021: £1,527k)

BOOK Performance Overview

We are very pleased with BOOK's continued strong performance in the first three months of 2022. On 31 March 2022, net asset value (NAV) was £192.0m, or 320.0p per share, an increase of 15.4% (after all costs and charitable donations) since 31 December 2021.

This continued growth in net assets was driven by uplifts across a number of portfolio companies. Four companies in the three month period contributed more than £5m of uplift each, with all trading and growing strongly. These four companies were all in the top five investments on 31 March 2022 (with Butternut Box's valuation remaining unchanged). We are pleased to have several companies delivering strong performance and helping to drive NAV upwards. Below these top five investments, four of the five companies ranked six to ten by value, are trading ahead of their own forecasts. We are confident that this momentum and performance in the portfolio will continue to support NAV. £5.8m of cash was received by BOOK in the first three months of 2022, which supported reinvestment into the portfolio to support further growth in these companies.

In the three months to 31 March 2022, BOOK's share price increased from 295p to 297p. This was positive compared to the negative performance of the FTSE all-share and investment company indexes over the same period. Shareholders since BOOK's listing at 160p per share, have made a return of 85.6% in a little over nine months.

BOOK's total costs in the quarter (excluding the charitable provision) amounted to £809k. This included the AIFM fee for the three month period, some operating costs, plus costs associated with the revolving credit facility. On top of these costs, £434k was recognised in the three months relating to charitable donations.

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Breakdown of Net Asset Value at 31 March 2022

Companies / assets	Date of Investment	Carrying value[1]	*% of NAV*
Grayce Recruits, trains and deploys graduates into large corporates	Jul 18	£43.6m	*22.7%*
RCI Group Provider of healthcare, specialist clinical and support services	Sep 18	£41.4m	*21.6%*
Kernel Global Recruitment for roles within financial services	Jun 18	£18.1m	*9.4%*
Butternut Box Healthy, subscription-based, direct-to-consumer pet food	Jan 18	£14.2m	*7.4%*
Antler Homes Housebuilder in the Southeast of England	Jun 18	£13.7m	*7.1%*
Top 5 investments		**£130.9m**	***68.2%***
Vanilla Electronics Outsourced supply chain management of electronic components	Jun 20	£9.8m	*5.1%*
Wifinity Wi-fi provider to hard-to-reach campus locations	Dec 17	£6.9m	*3.6%*
Oxygen Freejumping Operator of trampoline and adventure parks	Jul 21	£5.8m	*3.0%*
Cross Rental Services Provider of refrigeration & catering and climate control equipment	Nov 21	£5.1m	*2.7%*
EPM Software and consulting business to the transport sector	Feb 20	£4.1m	*2.1%*
Top 10 investments		**£162.5m**	***84.7%***
Private equity fund interests		£12.3m	*6.4%*
Other direct investments		£16.4m	*8.5%*
Cash (net of donation provision and other working capital items)		£0.8m	*0.4%*
Net asset value		**£192.0m[2]**	***100%***

[1] All the figures are rounded to one decimal place and so whilst the totals are correct, they do not cast due to the rounding.
[2] The NAV currently excludes deferred tax liabilities shown in the Company's financial statements, on the basis that these amounts are not expected to become payable in the future should the Company receive approval of its investment trust status. In the event that the Company does not receive such status, the deferred tax liabilities will need to be taken into account in calculating the net asset value per ordinary share going forward.

Portfolio Company Overview

Following strong performance from the portfolio in 2021, this continued in the first three months of 2022, with the companies positioned positively for further growth.

The trading performance and financial condition of the portfolio remained very strong during this shortened three-month reporting period. Sales and EBITDA growth year-on-year remained broadly consistent compared to the end of the prior quarter, with growth of 86% and 130% respectively (on a weighted average basis) across the buyout investments in BOOK's top ten investments. Pleasingly, the majority of this growth was driven organically rather than acquisitions.

Literacy's top five investments comprise 68.2% of NAV on 31 March 2022. Compared to three months earlier, this was a slight increase, up from 65.0%. As stated previously, all five of these businesses continue to trade well and contribute positively to NAV uplifts. We expect these companies to continue contributing strong results in 2022 and we are pleased to have a high degree of exposure to businesses that are in such healthy condition. We enjoy a high degree of both insight and influence in these businesses, and in many cases, we have appointed several members of the management teams. Therefore, this concentration is something we are comfortable with and can contribute to BOOK continuing to perform strongly.

The use of leverage across the portfolio companies remains very conservative (closing this period again at 1.3x EBITDA on a weighted average basis) and much lower than traditional private equity managers are used to using. This is done deliberately to give the management teams of BOOK's portfolio companies the flexibility and freedom to prioritise growth, rather than being preoccupied by managing covenants. Low gearing, sales and profit growth are our priority, rather than financial engineering. We would expect this figure to fluctuate between 1x and 1.5x, as companies are periodically refinanced.

Top Five Investments

BOOK's portfolio is relatively highly concentrated, with the top five direct investments equating to 68.2% (up from 65.0% on 31 December 2021) of the portfolio, while the ten largest direct investments represent 84.7% of net assets (up from 82.0% three months earlier).

The Investment Manager is happy with this concentration given the high degree of knowledge and control it has over the assets. This involves receiving management information from the companies on a weekly or monthly basis, providing significant comfort and insight regarding current trading and future performance. It also involves being able to influence and select the key members of management in these companies. This degree of intimate knowledge and involvement is far greater than investors can hope to achieve investing in public businesses.

Many of the larger direct investments are a high proportion of total net assets due to their strong performance and significant uplifts in their valuation. We are pleased to have significant exposure to strongly performing assets and are happy to run winners, rather than sell assets prematurely.

Given the level of investment and hires required to raise the rates of growth of many of the companies BOOK invests in, it can be a year or two before these improvements turn into meaningful uplifts in value. This is evidenced by all of BOOK's five largest investments by value having been completed in Literacy Capital plc's first twelve months. Once the expected growth is delivered, it can translate into substantial and swift uplifts in the value of BOOK's stakes.

Company	Date of Investment	31 Mar 2022 carrying value	*31 Mar 2022 % of NAV*	Total cash realised	Accumulated return	\ in Accum. return since 31 Dec 2021
Grayce	Jul 18	£43.6m	*22.7%*	£7.6m	£51.2m	£8.0m
RCI Group	Sep 18	£41.4m	*21.6%*	£3.4m	£44.8m	£5.6m
Kernel Global	Jun 18	£18.1m	*9.4%*	£0.7m	£18.8m	£5.3m
Butternut Box	Jan 18	£14.2m	*7.4%*	-	£14.2m	-
Antler Homes	Jun 18	£13.7m	*7.1%*	-	£13.7m	£5.5m

Grayce - www.grayce.co.uk

Grayce recruits, trains and employs graduates from top universities for deployment into large corporates, providing the graduates that they hire with high-quality training, employment and experience.

The original transaction in July 2018 was to facilitate the exit for one of the founders who was stepping down. To assist with this transition a new senior management team was brought into the business in stages. Between BOOK's initial investment and the end of 2020, a new Chairman, CEO, CFO and Sales Director were appointed. A new COO was also appointed in January 2022, constructing a talented team that can scale and run a business of much greater size.

On 31 March 2018, analyst headcount was 105 with total headcount of 120. By the end of March 2022, these figures had reached 552 and 637, demonstrating the significant growth and investment that has been injected into the business since BOOK's investment and success in creating opportunities for talented, ambitious graduates. In the last three months alone, the number of HQ staff increased from 70 to 85, to support and accelerate the ramp up in growth expected in the rest of 2022 and 2023.

RCI Group

RCI is primarily a provider of healthcare services and data analytics. The group provides its specialist services to the police, NHS, custodial settings and the courts.

BOOK's original investment in September 2018 helped two of the four founders achieve their retirement plans. To ease this transition and ensure the business had strong leadership, a new CEO and CFO joined the business at completion of the transaction. Within nine months, they were joined by a new Business Development Director and Operations Director, to create a strong team and platform for growth. This platform was then used to acquire complementary businesses and broaden the service offering to customers. Three acquisitions were completed between December 2019 and March 2021, with one further acquisition being made post 31 March 2022 but prior to the publication of these accounts.

Since BOOK's investment, revenue has increased from less than £15m in 2018 to an expected £40m in 2022, following the acquisitions and increased service offering. EBITDA margins have also been improved materially following investment into greater usage of data analytics and an expansion of the group's technology offering, improving the quality of customer's insights.

Kernel Global - www.kernel-global.com

Kernel Global is the holding company for two recruitment businesses that trade under the names Dartmouth Partners, which focuses on private equity, corporate finance, wealth management, finance and legal, and Pure Search, which has a primary focus on tax, as well as other finance roles.

BOOK's original investment was in June 2018 to support the founder of Dartmouth. He founded the business in 2012 and needed support to scale the business and strengthen its management team. A new Chairman and CFO joined in the early part of 2020, plus a new Head of International in May 2021. The business also acquired Pure in September 2019 and opened an office in Paris, which gives the group a broad footprint in several financial centres, including New York, Hong Kong, London and Frankfurt.

At the point that BOOK invested Dartmouth had 54 staff and net fee income of around £7m. By the end of March 2022, group headcount and LTM net fee income exceeded 230 and £37m respectively.

Butternut Box - www.butternutbox.com

Butternut Box was founded in 2017 as a direct to consumer subscription dog food business. It has recently expanded its operations outside of just the UK, with sales in Ireland and the Netherlands too.

BOOK completed a growth investment into Butternut Box in January 2018, as part of a £5m investment round, to help the founders to expand operations and scale the business more quickly. In March 2021, the company opened a new manufacturing site in Doncaster to significantly increase capacity and improve efficiency. Most recently, the company completed a £40m funding round in August 2021, led by L Catterton (www.lcatterton.com).

BOOK is a small minority investor so has less control over this investment and the timing of any exit. However, BOOK is co-invested alongside investors that require and are focused on an exit in the medium term.

Antler Homes - www.antlerhomes.co.uk

Antler Homes is a housebuilder with a longstanding reputation for building high quality homes in the London commuter belt. The business was set up 50 years ago by its founder, who in 2018 when Literacy Capital invested in the business, was in his 70s, lived overseas and no longer wished to run or own the business.

In order to allow the business to continue trading, it needed fresh leadership and more capital, which Literacy was able to bring. A new Managing Director and non-executive Director, both with a significant amount of relevant experience, joined the business at completion of the investment.

Since BOOK's investment, a number of other key hires have been made and headcount in the business has more than doubled to 31. Literacy has also supported the business complete three follow-on rounds of funding, including one in March 2022, as it acquires and develops more land. In the year to 31 June 2022 (FY22), it expects to complete and sell more than 50 private homes (many to first time buyers) and a further ten to housing associations. The number of completed homes is expected to more than double in FY23.

Movement in valuation of BOOK's investments

£m	3 months to 31 Mar 2022	12 months to 31 Dec 2021
Opening Investments	**163.6**	**76.7**
Direct investments	6.3	10.5
Fund drawdowns	0.2	2.7
Total new investments	**6.5**	**13.2**
Proceeds from direct investments	(5.7)	(10.8)
Proceeds from fund investments	(0.1)	(1.0)
Cash proceeds received	**(5.8)**	**(11.8)**
Valuation Movement	**26.9**	**85.5**
Closing Investments	**191.2**	**163.6**
Valuation Movement % (of Opening Portfolio)	*16.4%*	*111.4%*

New Investments

No investments in new portfolio companies were completed in the three month period to 31 March 2022, meaning the number of companies in the portfolio remained 16. Further cash (amounting to £6.3m) was invested in three existing BOOK portfolio companies in the period, plus £0.2m was also invested in a private equity fund, from which we received a drawdown notice in March. BOOK has commitments to four third-party private equity funds. We do not expect any more drawdowns or to invest more capital into three of these (the three 2017 and 2018 vintage funds).

Six BOOK portfolio companies completed seven bolt-on acquisitions in 2021 and so far in 2022, a further two bolt-on acquisitions have been made. We expect to complete several further bolt-on investments in the remainder of 2022. The same applies to new platform investments. None were completed in the first three months of 2022, however we continue to seek high quality opportunities and expect to make further platform investments in 2022.

Realisation Activity

Cash receipts in the three months to 31 March 2022 remained strong, with £5.8m received in the period. Nearly all of these proceeds related to a dividend received from Grayce in January, following a refinancing of the company. The balance of £0.1m related to a small distribution from a 2017 vintage private equity fund.

We would expect this figure in 2022 to exceed the £11.8m of cash received in 2021, as a result of the increasing maturity of BOOK's portfolio companies and private equity interests.

Balance Sheet and Financing

BOOK maintained a cash balance of £3.0m at 31 March 2022 (down from £5.2m at 31 December 2021). The cash balance within the Company was carefully and comfortably managed through the period. Literacy Capital retains the ability to generate further cash from its portfolio companies. In the period, cash received from the portfolio was 90% of the amount invested (£5.8m received compared to £6.5m invested).

Whilst it is clearly essential to retain sufficient liquidity to meet expenses and have the ability to fund new investment opportunities, maintaining a significant cash balance would create a cash drag and reduce returns for shareholders, given the low interest rate environment. In December 2021, the Company agreed a £15m revolving credit facility ("RCF") which remained undrawn throughout the period. The RCF provides the Company with additional flexibility and capital to fund any expenses or new investment opportunities.

On 31 March 2022, the proportion of net assets invested was in excess of 99%. This has increased over time and compares to 89% on 31 December 2020 and 98% on 31 December 2021.

£m	31 Mar 2022	31 Dec 2021
Investments	191.2	163.6
Cash	3.0	5.2
Donation Provision	(2.1)	(2.0)
Other working capital	(0.1)	(0.6)
Net assets[1]	**192.0**	**166.3**

Undrawn Fund Commitments by Currency Exposure

The table below shows a total of £4.9m of outstanding obligations to fund commitments on 31 March 2022, however we do not expect further drawdowns from three of the four funds to which BOOK has commitments. If we discount these three funds, the total outstanding commitment would fall to £3.4m (all callable in Euros).

Regardless of whether the full £4.9m is called or not, BOOK can comfortably fund these drawdowns from existing cash reserves and headroom in its Revolving Credit Facility.

£m	31 Mar 2022	31 Dec 2021
Sterling	£0.3	£0.3
Euro[2]	£3.7	£3.6
US Dollar[2]	£0.9	£1.1
Total outstanding commitments	**£4.9**	**£5.0**

[2] Foreign currencies were converted to GBP at the prevailing rates on 31 Mar 2022

Activity Since the Period End

In April, BOOK made a further investment in Hometree of £250k to support an acquisition that the business made and later in the same month, also made a further investment into Alufold amounting to £275k. In May, the Company made a further investment into Hanmere totalling £892k.

In May, BOOK made its first drawing under the RCF of £1m.

No new investments or other transactions completed in the period since 31 March 2022.

Outlook

We are very pleased with the positive start to 2022 that many companies in BOOK's portfolio have made and the momentum that they continue to display. We believe that there continue to be significant opportunities to further improve and add value to these businesses.

We are most pleased with the strength of the teams within the portfolio companies that we have been able to assemble. We are grateful for their hard work, commitment and talent, which has helped to create opportunities and

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growth in many of these businesses across the UK. There is always more work to do but many of these teams are now extremely strong and well-balanced, positioning these businesses for continued strong performance.

Through our extensive networks, we continue to see a large number of private businesses that are looking for a partner who can support them in the way that Literacy Capital can. We expect to complete more direct investments in 2022, helping more businesses to expand, and their employees to thrive and maximise their potential.

We are also proud of the work performed by the charities that we support and that our charitable donations have continued to increase in line with BOOK's rising NAV. This donation is 0.9% of year-end NAV, so will continue to increase in line with the portfolio companies' success. We hope that BOOK can make an even more substantial positive impact on disadvantaged children as it continues to scale.

Charitable Mission

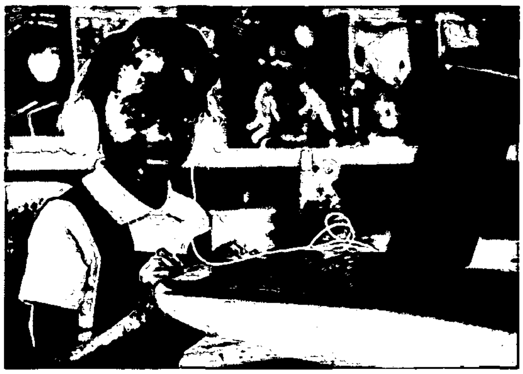
In addition to Literacy Capital plc's investment objectives and strategy, it also has a charitable mission.

Literacy Capital plc makes an annual donation equivalent to 0.9% of the Company's net asset value at each year end, thereby providing consistent, long-term and growing charitable donations as the Company increases in size. In the three months to 31 March 2022, the total provision recognised for donations to charities focussing on improving literacy was £434k. We expect the donations that accrued in 2021 and 2022 will be paid across 2022 and 2023.

Since the creation of Literacy Capital in 2017, more than £3.8m in total has either been paid or set aside for donation. The aim is to advance the education of children in the United Kingdom, in particular by promoting or supporting the development of reading.

Annual charitable donation provision (£k)	
2018	£532k
2019	£621k
2020	£772k
2021	£1,527k
3 months to 31 March 2022	£434k
Total charitable donation provision	**£3,886k**

A number of charities focused on supporting children have received donations. The most significant beneficiary of Literacy Capital's charitable support to date is Bookmark Reading Charity (www.bookmarkreading.org). Bookmark delivers volunteer-led reading support to primary school children aged 5-9 in communities across the country, both online and in person. The charity uses technology to increase its social impact, digitally matching volunteers with children that are at risk of falling behind with their reading.



By combining their technology with commercial understanding, Bookmark aims to tackle the UK literacy problem at scale in an efficient and cost-effective manner. Having launched in 2018, the charity is in a period of significant growth and Bookmark volunteers are now supporting children in 160 schools across England. With their scalable model, Bookmark has ambitious plans to support 25,000 children over the next three years and Literacy Capital is proud to support their mission.

Another beneficiary is The Children's Book Project (www.childrensbookproject.co.uk), which provides books to children to tackle 'book poverty' and to give children the opportunity to learn.

Children's Book Project

Considerable economic and social barriers mean that book ownership is unachievable for thousands of children across the country. By the age of 11, children from 'book poor' homes have fallen an average of 12 months behind their peers in terms of their literacy and languages skills.

The Children's Book Project seeks to address the disparity in book ownership across the UK. The charity gifts books directly to children from deprived communities with few or no books of their own and works closely with their schools and community organisations to put on celebratory book gifting events that support the widest engagement. These further children's aspirations, develop literacy skills and help support mental well-being. The organisation wants all children to see book reading as an activity that they can participate in and in turn, work towards a future where their outcomes are dictated by their potential, not their socio-economic background.

The ambition is to create communities of engaged, enthusiastic and ambitious, young book owners with an equal chance of fulfilling their academic potential to their peers, married with considerable energy and commitment of staff in each of the 400+ organisations that CBP supports. With their help and that of the volunteer base, CBP's ambition is to gift 1.5 million books by 2025.

Other charities to benefit include the following:

- Teach First (www.teachfirst.org.uk) which works to improve the chances of children from a disadvantaged background achieving good grades and maximising their potential;
- The Magic Breakfast (www.magicbreakfast.com) which aims to end hunger as a barrier to education in UK schools through providing healthy breakfasts to children living with food insecurity.

Why Literacy?

There are currently 7.1 million adults (or 16.4% of the total adult population) in England that struggle to read and face challenges daily as a result of this. Every year, it is estimated that 200,000 children leave primary school not meeting the expected standard in reading[1]. Following school closures as a result of Covid-19, this problem has worsened and disadvantaged children are the worst affected. It is now being reported that the pandemic has reversed the past decade's progress to narrow the attainment gap[2].

The longer-term consequences of this are hugely damaging, for both the child and for society more widely. For instance:

- one in six children who do not read well by age 7 will drop out of school, a rate six times higher than proficient readers[3]
- annually, it costs an average of £40,000 to incarcerate one individual, and approximately 46% of the UK prison population has literacy skills no higher than those expected from an 11-year-old[4]
- in addition to the financial and social costs of crime and time in prison, the economic cost of low literacy has been estimated at £36 billion per year to the UK economy[5]
- poor literacy can lead to limited job prospects, poor health, low self-esteem, and even reduced life expectancy; and
- adults with poor literacy skills are more likely to be unemployed and, as a parent, are less likely to be able to support their child's learning

It is well-acknowledged that literacy is fundamental to ensuring inclusive and equitable education, and promoting lifelong learning. When helping someone to develop their literacy skills, it can empower them to access better opportunities and break the cycle of disadvantage.

Helping children to develop the reading skills they need for a fair chance in life can be done relatively quickly and inexpensively. It is one of the most cost-effective ways to reduce young offending and raise their potential, delivering a very high return on this investment in themselves and society.

[1] Department for Education
[2] Education Endowment Foundation
[3] Centre for Education and Youth
[4] National Literacy Trust
[5] World Literacy Foundation

Business model and strategy for achieving objectives

Literacy Capital plc is run by its Board of Directors comprising four independent non-executive Directors and two non-independent non-executive Directors. Five of the Directors are male and one is female. The Board is responsible for the overall stewardship of the Company, including investment strategy and corporate governance. Biographies and roles of the Directors can be found on page 19.

The Directors have a duty to promote success of the Company and to act in the best interests of shareholders. The Directors believe that the best way to achieve this is to maintain a strong, open and transparent relationship with Investment Manager, Literacy Capital Asset Management LLP ("LCAM"). LCAM is a Full Scope UK AIFM and was appointed the Company's Investment Manager on 1 April 2020. The scope of LCAM's work was agreed with the Company's Directors prior to its appointment.

LCAM will look to identify compelling opportunities for investments in under-served parts of the market. It has and will continue to seek to invest in UK-based businesses, with a core focus on those generating £1m to £5m EBITDA, representing an area of the market which LCAM's management team have significant, relevant expertise and where the team feel the greatest returns for shareholders can be generated. In turn, these gains will help to deliver meaningful and increasing annual donations to charities.

Principal business risks and uncertainties

The principal risks and uncertainties with the business are as described below:

Covid-19 Coronavirus: Since the start of the pandemic, Covid-19 has adversely impacted global commercial activities. While Literacy Capital plc was fortunate not to have been adversely affected financially, it clearly had an impact on operations and working arrangements. Our portfolio companies, given their diverse operations, have also been impacted in different ways. Having navigated 2020 well, and being securely positioned going into 2021, the portfolio as a whole performed well throughout the period as well as in the three month period to 31 March 2022. Mitigation: The Directors continue to monitor developments relating to Covid-19 but do not believe there is any financial impact to the Financial Statements as at 31 March 2022 as a result of this event.

Investment and liquidity: The Company's investments are in small, unquoted companies, which by their nature entail a higher level of risk and lower liquidity than investments in large, quoted companies. Mitigation: Risk is limited by closely monitoring individual holdings. The board reviews the performance of the portfolio on a quarterly basis.

Financial risk: Most of the company's investments involve a medium to long term commitment and many are relatively illiquid. There is a risk that the company could run out of available cash reserves. Mitigation: The Company seeks to ensure the availability of cash reserves to match the forecast cashflow of the Company. The Company is also able to draw on its £15m committed revolving credit facility, which was undrawn at period end.

Economic risk: Events, such as economic recession, may affect the performance and valuation of portfolio companies and their ability to access adequate financial resources, as well as affecting the company's net asset value. A further way that the portfolio company could be affected is any material change in the amount of private capital looking to invest in private businesses. Any change is unlikely to have a significant impact on the company, as additional capital could lead to more competition when sourcing new investments but would also likely invest the value of the existing portfolio. The same would apply vice versa. Mitigation: The Company invests in a diversified portfolio of investments spanning various sectors as well as ensuring that the portfolio companies maintain sufficient cash reserves to be able to support their short to medium term obligations.

Tax risk: It is expected that Literacy Capital plc will be approved as a UK resident investment trust in 2022 enabling the Company to obtain an exemption from paying tax on its capital profits, amongst other benefits. It is the Company's intention to maintain this status indefinitely. However, whilst not expected to occur, if investment trust status were to be lost or not obtained, the vast majority of BOOK's capital profits would remain exempt from tax, due to the Substantial Shareholding Exemption that could automatically be sought on the sale of many of its assets. At the end of 2021, it is estimated that approximately 82% of the portfolio's investments by value would be exempt from tax regardless of maintaining investment trust status.

Climate Change: We have assessed climate-related risks but have determined that climate change is a low risk in the short term. We are aware that the Government may take action to reduce carbon emissions through the introduction of further taxes, but the Company is sufficiently solvent to meet these if introduced. Changes in weather conditions are unlikely to affect the Company. The Investment Manager and the majority of the portfolio companies have demonstrated that they can operate despite severe disruption and in alternative locations, as demonstrated by Covid-19 and the associated lockdowns. As an externally managed investment company with no employees, the Company does not have any greenhouse emissions to report from its operations and therefore is expected to have little climate-related impact on the environment.

Key performance indicators

Literacy Capital plc takes a long-term view on its investments and the Board assesses its performance against the following Key Performance Indicators:

- Share price and net asset value per share against the FTSE Investment Company Index and FTSE All-Share Index, details of which are shown under Performance Highlights on page 1.
- The portfolio return of the period, details of which are shown on page 1.

Going Concern

The Board has assessed the financial position and prospects of the Company over the next 12 months, whilst considering the additional risks and uncertainties caused by continuing Covid-19 pandemic.

On 31 March 2022 Literacy Capital plc had cash reserves of £3.0m (2021: £5.2m), as well as access to a £15m revolving credit facility ("RCF"), committed by Investec Bank plc until the end of 2024. The total cash available to the Company is far in excess of its operating costs for the foreseeable future (including both its charitable donations and any Investment Management fees), plus any commitments to the portfolio or fund commitments. The provision relating to outstanding donations to be paid is £2.1m.

The only material obligations that BOOK has relate to undrawn amounts to its four fund commitments, amounting to £4.9m. However, £1.5m of this amount, relates to three funds whose investment periods have expired or where their managers have since raised successor funds. As a result, BOOK has just one fund commitment where further drawdowns are expected. This fund is highly unlikely to draw 100% of BOOK's committed amount and is expected to draw capital once per year in December, giving BOOK good visibility over the timing and quantum of future capital calls. Several of BOOK's portfolio companies are highly profitable and cash generative, so it has the ability to generate further cash from the portfolio to build its cash reserves in due course if this is required by the Company.

The Directors do not believe there are any significant risks and uncertainties likely to impact the ability of the Company to continue in business and believe that it has adequate resources to operate for at least twelve months from the date of approval of the financial statements, and so for this reason, the Company continues to adopt the going concern basis in preparing the accounts.

Viability Statement

In accordance with the UK Corporate Governance Code, the Board has considered the viability of Literacy Capital plc over a greater period than the 12 months required by the 'going concern' basis of accounting.

The Board considers the Company, as a permanent capital vehicle, to be a long term investment company but, for the purposes of this viability statement, has decided that a period of five years is an appropriate period over which to report. The Board considers this a period where it can reasonably assess the Company's prospects, without the additional uncertainties of looking out further into the future.

The Board has carried out a thorough assessment of the Principal Business Risks and Uncertainties facing the Company, noted above in the Strategic Report, including those that would threaten its business model and future performance.

Based on the results of the assessment, the Directors expect that the company will be able to continue its operations and meet its financial liabilities over a five year period from the date of signing of these accounts.

Environmental, Human Rights, Employee, Social and Community Issues

The Board recognises its requirement under the Companies Act 2006 to detail information surrounding environmental, human rights, employee, social and community matters, including the Company's policies and their effectiveness.

However, as Literacy Capital plc has no employees and all of its functions are delegated to third-party services providers, these requirements do not apply to the Company and so the Company has not reported further in respect of this requirement, or in regards to the Modern Slavery Act 2015.

Section 172 and stakeholder reporting

Under section 172 of the Companies Act 2006 (the "CA 2006"), the Directors have a duty to promote the success of the company for the benefit of Shareholders as a whole. In doing so, the Directors have regard to matters set out in section 172(1) of the CA 2006 as follows:

Stakeholder	Benefits of Engagement with Stakeholders	How the Board of Directors and Investment Manager have engaged with the Stakeholder
Investors	Communicating regularly and clearly on the Company's performance can help to keep the share price premium or discount narrow, which is a benefit to shareholders.	The Board places a high degree of importance on engagement with existing and potential shareholders and treating all individuals fairly. The Company produces a quarterly factsheet swiftly to provide relevant information on a timely basis. The emphasis is on publishing net asset value performance and portfolio updates. Information is made public simultaneously for all readers via the company's website and RNS announcements. The Investment Manager has a share dealing policy in place to prevent insiders trading on information. The Company has provisions to assess fairness of director salaries to avoid the directors favouring themselves at the expense of external shareholders.

		Following a review of the impact on investors, it is the intention of the Company to obtain Investment Trust status in 2022. One benefit of gaining the status is that it allows the Company to obtain an exemption from paying tax on its capital profits, therefore reducing the Company's expenses, which is an advantage for investors.
Service Providers	The Company has engaged with several service providers to fulfil operational or financial reporting matters. The Investment Manager ensures that work is completed in line with agreements to ensure that the Company's ongoing obligations are met.	The Investment Manager is in regular correspondence with the Company's third party service providers and will periodically discuss business development updates or working efficiencies. The Company's Management Engagement Committee reviews the work, actions and judgements of the Investment Manager at least annually. The Board considers the Investment Manager to be the Company's most important service provider.
Portfolio Companies	By gaining a better understanding of the performance of the portfolio companies and the factors that may increase performance, areas where the Investment Manager can assist are easily identified, as well as helping to identify and mitigate potential risks to the businesses.	The Investment Manager engages regularly with the portfolio companies and, typically on a monthly basis, receives detailed management accounts and board packs, which the Company's Board reviews once per quarter. There have been several instances where the Investment Manager has identified skills gaps within senior management teams of portfolio companies and has assisted in finding suitable individuals fill the roles.
Literacy Charities	The Company is committed to donating 0.9% of its net assets at year end to literacy charities in the UK (see page 13). By supporting the charities and working alongside them, the Company can ensure that the donations are being used as efficiently as possible.	Applications for funding can be made through the Company's website, which are then reviewed by the Investment Manager. Prior to any donations being made, KPIs are typically agreed with the charity, which are then reviewed by the Investment Manager on an ongoing basis.

The Strategic Report has been approved by the Board and signed on its behalf by:

Paul Pindar
Chairman
On behalf of the Board of Directors
1 June 2022

Board of Directors

Paul Pindar
Non-executive Chairman of Literacy Capital plc and Chairman of Literacy Capital Asset Management LLP

Paul formerly served as CEO of Capita, which he co-founded in 1987 and grew from 33 people to 62,000 by his retirement in February 2014. Then, it had an enterprise value of £8.5 billion and was the 52nd most valuable listed UK company. He is also a founder investor and non-executive Chairman of Purplebricks, the UK's largest online estate agency. Within three years, the business started trading, expanded internationally and completed an IPO on AIM. Paul has served as Chairman of four other VC and PE-backed businesses since 2014.

Paul is a member of the Company's Audit Committee. As Chairman of the Investment Manager, Literacy Capital Asset Management LLP, Paul's role is focused on the Company and assisting its portfolio companies maximise their potential, whilst also assessing new investment opportunities. Paul is not deemed to be an independent director.

Richard Pindar
Non-executive Director of Literacy Capital plc and CEO of Literacy Capital Asset Management LLP

Richard is ACA qualified with the ICAEW and has a background in investing, private equity and acting as a consultant to private equity owned businesses. He previously worked at Lonsdale Capital Partners, a lower midmarket private equity firm, and started his career in Transaction Services and M&A Corporate Finance at KPMG.

Richard is a member of the Company's Audit Committee. As CEO of the Investment Manager, Literacy Capital Asset Management LLP, Richard's role is focused on the Company and assisting its portfolio companies maximise their potential, whilst also assessing new investment opportunities. Richard is not deemed to be an independent director.

Simon Downing
Independent Non-Executive Director of Literacy Capital plc

Simon is the founder and Executive Chairman of Civica, which he created in 2000 with backing from Alchemy Partners. Since then, the business has grown to over 5,000 employees and operates in ten countries. It is one of the largest specialist software companies in Europe and is valued at more than £1 billion following its most recent private equity transaction led by Partners Group. He has been Chairman of four other private IT services businesses in the past six years and is current Chairman of Audiotonix Limited and Senior Non-Executive Director at Purplebricks Group plc. He was previously a Senior Adviser to OMERS Private Equity, which has more than $12 billion of private equity assets under management.

Simon is the Chair of the Company's Management Engagement Committee and is a member of the Audit Committee.

Kevin Dady
Independent Non-Executive Director of Literacy Capital plc

Kevin was formerly CEO and is currently Executive Chairman of IRIS, a large software business majority owned by HgCapital, since December 2015. IRIS has grown significantly during his tenure and he recently took it through a £1.3 billion private equity buyout. He was formerly Managing Director of the Professional Services division of Capita where, in nine years, he grew EBITDA from £50m to £150m.

Kevin is a member of the Company's Management Engagement Committee and the Audit Committee.

Christopher Sellers
Independent Non-Executive Director of Literacy Capital plc

Chris is currently Group CEO of RCI Health Group and Chairman of Grayce which are both Literacy Capital plc portfolio companies. He formerly spent 12 years at Capita plc before leaving in January 2018 which included being a member of the Group Board as Head of Business Development as well as six years as Executive Sales Director. Prior to joining Capita he spent 14 years as a consultant, Business Development Director and Managing Director, having originally trained as an engineer with Shell.

Chris is a member of the Company's Management Engagement Committee and Audit Committee.

Rachel Murphy
Independent Non-Executive Director of Literacy Capital plc

Rachel is the founding Director of RJM Consulting, which works with public and private companies, providing consultancy services, corporate finance advice and coaching to board level executives. Previously, she was a member of the investment team at the private equity firm Alchemy Partners for six years. She has also been a non-executive of several private equity owned businesses and held finance roles at Diageo and Shell.

Rachel is the Chair of the Company's Audit Committee and is a member of the Management Engagement Committee.

Corporate Governance

Introduction from the Chairman

I am pleased to introduce this period's Corporate Governance Statement. In this statement the Company reports on its compliance with the AIC's Code of Corporate Governance (the "AIC Code") and sets out how the Board has operated during the past year. The Board of Directors is accountable to shareholders for the governance of Literacy Capital plc and is committed to maintaining the highest standard of corporate governance for the long-term success of the Company.

Compliance with the AIC's Code of Corporate Governance

The Board has considered the Principles and Provisions of the AIC's Code of Corporate Governance. The AIC Code adapts the Principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council (the "UK Code") to make them more relevant for investment companies, as well as setting out additional principles and recommendations which are better tailored to investment companies.

The Board of Directors considers that reporting against the AIC Code provides more suitable information to shareholders than if it had adopted the UK Code. A copy of the AIC Code can be obtained from the AIC's website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies. It is also worth noting that as the Company is listed on the Specialist Fund Segment it does not have the same corporate governance requirements as companies with a premium listing.

The Company complied throughout the period, and continues to comply with the Principles and Provisions of the AIC Code, except as set out below;

- Provisions 11 and 12: The Board does not consider it necessary for the Chair to be independent. The Chair has significant relevant experience to carry out the role, and as the largest shareholder of the Company, is aligned with the Board and shareholders as a whole to act in the best interests of the Company. The Management Engagement Committee, comprised of the four independent Directors, has been established to review the performance of the Company's Investment Manager and will continue to take into account the Chair's non-independence.
- Provision 14: Due to the size of the Company and its Board, it is not considered necessary for a senior independent Director to be appointed, as it operates in a collaborative and collective manor. If a shareholder expresses dissatisfaction with the Chair's behaviour or performance, the independent non-executive Directors will meet without the Chair present.
- Provision 22 and 28: The Board has not established a separate Nomination Committee due to the size of the Company. All Directors are involved in the appointment of new members save for when the appointment of a new Chair is discussed, where the existing Chair would not be involved.
- Provision 24: The Board has chosen not to adopt a policy on tenure of the Chair. The Board recognises the value of refreshing its membership regularly but prefers to retain flexibility to assess the balance of skill and experience of the Board as a whole. Given that the Chair was one of the founders of the Company, his significant shareholding and his contribution to adding value to its portfolio, it is not considered appropriate by the Board to limit his tenure. The Directors believe that this policy is in line with their responsibility to act in the interests of protecting and creating long-term shareholder value, as well as corporate governance guidelines applicable to companies listed on the Specialist Fund Segment.
- Provision 26 and 27: Given the experience of the Directors as a collective, combined with the minimal complexity of the Company's business, size and recent listing, a regular internal and external evaluation of the Board's performance is not considered necessary at this time. There has been no internal or external evaluation of the Board to date.

- Provision 29: The Audit Committee is not fully independent as the two Non-Independent Directors also sit on the Committee, which the Company considers appropriate given the size and nature of the business, as well as their knowledge of the Company.

The Board

The Board's principal task is to maintain effective stewardship of the Company's affairs and be collectively responsible for the long-term success of the Company, generating continued value for shareholders.

The Company has four scheduled Board meetings a year with additional meetings arranged as necessary. For each meeting, the Directors follow a formal agenda circulated by the Company Secretary in advance. In addition, the Investment Manager provides financial information and other relevant information, and the Company's depositary, INDOS Financial, provides its quarterly report.

At each of the four scheduled Board meetings, members of the Investment Manager are in attendance to present the financial information and other reports relating to both the Company and the portfolio, to the Directors, as well as to address any queries.

The Board and the Investment Manager operate in a supportive and open environment, and ad hoc communication between the two parties is maintained between meetings.

In the three month period to 31 March 2022, there was one scheduled board meeting. The following table sets out whether it was attended by each of the directors;

Director	Scheduled meetings attended
Paul Pindar	1/1
Richard Pindar	1/1
Simon Downing	1/1
Kevin Dady	1/1
Christopher Sellers	1/1
Rachel Murphy	1/1

Internal control and risk management

The Company's internal control systems ensure that accurate and reliable financial reporting is produced and maintained. Key controls include clearly defined lines of accountability and delegation of authority, as well as policies and procedures that cover financial reporting.

A risk matrix has been produced containing the risks identified and the controls in place to monitor them. The risks are assessed on the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of controls in place. The principal risks that have been identified are set out on page 15.

The Board reviews financial information produced by the Investment Manager on at least a quarterly basis. Some functions are delegated to third parties, but the Investment Manager and Directors receive assurances from the suppliers regarding their internal controls and systems.

Board Committees

Audit Committee: Please see below on this page for the Report of the Audit Committee.

Management Engagement Committee: Comprised of the four independent Directors and chaired by Simon Downing, the Committee meets at least one a year for the purpose of reviewing the actions and judgements of the Investment Manager, as well as monitoring and reviewing the performance of the Company's other services providers. The Committee will also consider annually if any changes are needed to the Investment Management Agreement.

Remuneration Committee: As all Directors are non-executive, and owing to the relatively small size of Literacy Capital plc, the Company does not have a Remuneration Committee. Please see page 26 for the Directors' Remuneration Report.

Nominations Committee: Due to the size of the Company, the Directors deemed it not necessary to form a separate Nominations Committee. All Directors are involved in the appointment new members to the Board. When making an appointment, the Board considers the existing composition of the Board to determine areas which require strengthening.

Conflicts of Interest

It is the responsibility of each individual Director to avoid a conflict of interest situation arising. Any conflicts arising must be reported to the Board and are then considered by the other Directors, and if necessary, approved or not approved. A conflicted Director is not allowed to take part in any relevant discussions or decisions and is not counted when determining whether a meeting is quorate.

Paul Pindar and Richard Pindar are both Directors of Literacy Capital plc, as well as being Designated Members of the Investment Manager, which can lead to conflicts of interest. However, given their significant shareholdings in the Company, it is not expected that any material or real conflict of interest shall arise, as their priority and financial incentives shall remain to preserve and create value for the Company's shareholders. If any changes are required to the Investment Management Agreement with the Investment Manager, these will be voted on by the Independent Directors of the Company only.

Company Secretary

Literacy Capital Asset Management LLP, as Company Secretary, is responsible for ensuring that Board and Committee procedures are followed, that applicable regulations are complied with and any relevant filings are made.

Report of the Audit Committee

Audit Committee

The Audit Committee is comprised of all Directors, with Rachel Murphy acting as Chair. The experience and biographies of the Directors is set out under the Board of Directors section on page 19. The Committee operates within written terms of reference which clearly set out its authority and duty.

The principal roles and responsibilities of the Audit Committee are as follows;

- to monitor in discussion with the auditors the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;

- to review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent Directors, or by the board itself, to review the company's internal control and risk management systems;
- to consider annually whether there is a need for an internal audit function and make a recommendation to the board;
- to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- to review arrangements by which Directors of the company or its key service providers may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation to such matters with appropriate follow-up action.

The Committee meets to review drafts of the Annual, three month shortened period and Interim Reports and Financial Statements as well as convening at other times when necessary. Only members of the Committee have the right to attend Committee meetings. However, representatives from the Independent Auditor, Investment Manager and Administrator may be invited to attend all or any part of any meeting as and when appropriate and necessary. In addition, the Chair meets with the Independent Auditor twice a year, during the planning stage of the audit as well as during the completion phase.

Audit

The Audit Committee is responsible for overseeing the relationship with the external Auditor, including approval of their terms of engagement, assessing their independence and objectivity and overall effectiveness of the audit process.

Mazars LLP has been the Company's Auditor since 2019. The Audit Committee reviews their performance annually by considering a range of factors, including quality of work and independence. The Audit Engagement Partner rotates every five years in accordance with ethical guidelines. 31 December 2021 was the third year for the current partner and this shortened period to 31 March 2022 is the fourth year or period for the current partner. The Board has responsibility for agreeing the audit fees with the Auditor.

No significant issues were reported by the Audit Committee in the year.

Risk Management and Internal Controls

The Board is responsible for the Company's risk management and internal controls. The Audit Committee has considered the need for an internal audit function, but due to the size and complexity of the Company, does not deem this necessary at present.

The Company engages a wide range of third-party service providers. The Management Engagement Committee monitors the performance of all key service providers, including giving consideration to their internal controls. No significant control issues have been identified by the Company.

Voting Rights

All ordinary shares have the same voting rights, preferences and no restrictions on the distribution of dividends and the repayment of capital. Further information is set out in the Share Capital section within the Directors' Report on page 30.

Directors' Remuneration Report

As all remunerated Directors are non-executive, the Company does not have a Remuneration Committee. The determination of the Directors' fees is dealt with by the whole Board.

Directors' Remuneration and Interests

The four Independent Directors all receive fixed salaries. As Paul Pindar and Richard Pindar are both non-independent Directors of the Company and Members of the Investment Manager, it has been agreed that neither will receive any remuneration from the Company.

The remuneration paid to the Directors during the three-month period to 31 March 2022, along with each of their shareholdings in the Company at 31 March 2022, is set out in the table below:

Director	Gross Salary (Three-months to 31 March 2022)[1]	Company Pension Contributions	Ordinary Shares held in the Company at 31 March 2022	Ordinary Shares held in the Company at 31 May 2022
Paul Pindar & spouse	-	-	17,000,000	17,000,000
Richard Pindar	-	-	6,425,000	6,425,000
Simon Downing	£6,000	-	3,250,000	3,250,000
Kevin Dady	£6,000	-	688,679	688,679
Christopher Sellers	£6,000	-	350,000	350,000
Rachel Murphy	£6,000	£89	62,500	62,500

The remuneration paid to the Directors during the prior year to 31 December 2021, along with each of their shareholdings in the Company at 31 December 2021, is set out in the table below:

Director	Gross Salary (1 January – 31 December 2021)[2]	Company Pension Contributions	Ordinary Shares held in the Company
Paul Pindar & spouse	-	-	17,000,000
Richard Pindar	-	-	6,425,000
Simon Downing	£17,000	-	3,250,000
Kevin Dady	£17,000	-	688,679
Christopher Sellers	£17,000	-	235,000
Rachel Murphy	£18,000	£267	62,500

[1] From 1 July 2021, Simon Downing, Kevin Dady, Christopher Sellers and Rachel Murphy's remuneration was the same as one another and their remuneration will be unchanged in 2022.

[2] The salaries of the non-executive Directors increased from 1 July 2021, following the listing of Literacy Capital plc, from £10,000 to £24,000 per annum. Rachel Murphy was appointed on 1 April but her salary was £24,000 from her date of appointment, meaning the four non-executive Directors were paid different amounts in Q2 2021, prior to the successful introduction of Literacy Capital plc to the Specialist Fund Segment.

Directors' Remuneration Policy

The Board's policy (which will be put to shareholders for approval at the Company's annual general meeting) is that fees should be sufficient to attract and retain Directors capable of managing the Company and enhancing shareholder value. Remuneration is benchmarked in line with market practice and takes into account the experience of the Directors as well as the time required to undertake the role. It is not the Company's policy to include an element of performance related pay; all fees are paid in cash rather than any other instrument. The Board has reviewed the policy for the year ahead and has concluded that key features of the policy remain appropriate.

Non-Executive Directors may accept appointments as Directors of other companies and retain any fees paid to them, although the Directors are required to notify the Company where any conflicts arise.

Independent Non-Executive Directors do not have service contracts but on being appointed are provided with a letter of appointment containing a notice period of three months which the Board considers appropriate based on the size and nature of the Company.

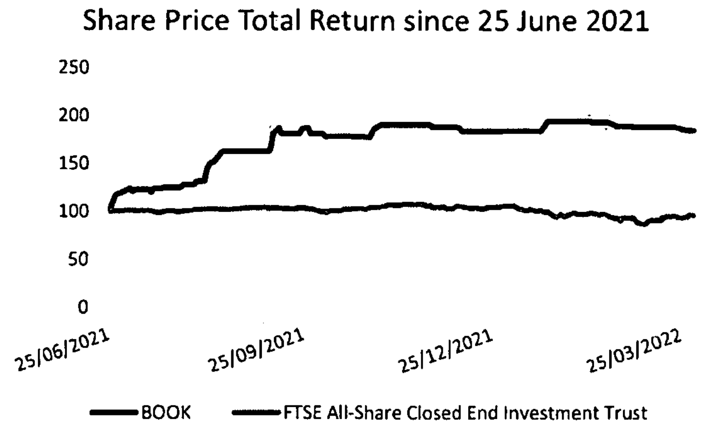
There were no Non-Executive Directors who left the Company during the period ended 31.03.2022 and therefore no payments in respect of compensation for the loss of office were paid or payable to any Director (2021: Nil). Any loss of office payment will be approved by the Board. Any payment will be made on a discretionary and case-by-case basis. Any payments made beyond contractual and statutory obligations would be exceptional in nature due to additional obligations taken on by the departing Non-Executive Director and always benchmarked against market practice.

Report on Remuneration

Following a review of the level of Director's fees for the forthcoming year the Board concluded that the amount should remain unchanged at £24,000 for each of the Non-Executive Directors. The Directors' remuneration will be reviewed by the Board on an annual basis.

Company Performance

The graph below compares the Company's share price return since Admission to the London Stock Exchange on 25 June 2021, compared to the total shareholder return on a notional investment in the FTSE All-Share Closed End Investment Index. This index represents a comparable broad equity market index and is the Company's comparator, as explained within the 'Performance Comparison' section on page 3. An explanation of the performance of the Company for the three-month period to 31 March 2022 is given in the Chairman's Statement and Investment Manager's Report from page 4.



Investor Relations

The Company's Report and Financial Statements as well as the Interim Report and Financial Statements contain a detailed review of Literacy Capital plc's performance and changes to the portfolio.

The quarterly factsheets, published typically on the final Wednesday of January, April, July and October, contain updated information in a more summarised form, are available on the Company's website (www.literacycapital.com).

The Company's Directors are available to speak with shareholders. They can be contacted via the registered office of the Company (see Corporate Information section on page 68).

Directors' Report

Status of the company

Literacy Capital plc is an investment company as defined by section 833 of the Companies Act 2006 and is registered and domiciled in England (number 10976145).

Reporting Period

This Report and Accounts has been prepared for the three-month period to 31 March 2022.

Results and Dividends

Profit for the three-month period to 31 March 2022, after taxation, amounted to £26.1m (2021: £78.9m). No dividend is recommended to be paid in respect of the period ended 31 March 2022. During the three-month period, the total donation expenses incurred for charitable causes amounted to £434,101 (2021: £1,526,943). Additional funds have been set aside in the year for donation, as described below within the 'Charitable causes' section.

Dividend Policy

The Directors intend to manage the Company's affairs to achieve Shareholder returns through capital growth rather than income. Therefore, it should not be expected that the Company will pay dividends to Shareholders in the ordinary course, although the Company retains the right to pay dividends at the discretion of Directors.

If the Company obtains Investment Trust status as planned in 2022, it will be required to distribute 85% of its net income annually, which may lead to dividends being paid in future periods.

Corporate Governance

The Corporate Governance Report, which forms part of the Director's Report, is set out on page 21.

Stakeholder Engagement

Under Section 172 of the Companies Act 2006, Directors are required to act in good faith and in a way most likely to promote the success of the Company. The Company's key stakeholder groups, and how the Company engages with them is set out within the Strategic report on page 17.

Streamlined Energy and Carbon Reporting

As an externally managed investment company with no employees, which seeks to invest in UK-based businesses the Company does not have any greenhouse emissions to report from its operations nor does it have the responsibility for any other emission producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, including those within the Company's underlying investment portfolio. As the Company did not consume more than 40,000 kWh of energy during the past year, it qualifies as a low energy user and is exempt from reporting under the Streamlined Energy and Carbon Reporting regulations.

Diversity and Inclusion

The Company recognises the benefits that diversity can bring to the Board, and places great importance on ensuring that Board membership reflects this. The Board believes that a range of experience, age, background and skills helps to create an environment of effective and successful decision making.

The Company does not employ any staff and so has therefore deemed that a diversity policy is not necessary.

Investment Manager

Literacy Capital Asset Management LLP ("LCAM" or the "Investment Manager") is the manager of the Company. LCAM is authorised as an Alternative Investment Fund Manager and is regulated by the Financial Conduct Authority. The Investment Manager provides Investment management, company secretarial and general administrative services to the Company under a management agreement.

The management fee charged for the year was 0.9% of the Company's net assets at year end. Further information around cost disclosures can be found in the Company's Key Information Document on the 'Reports and Results' section of the Company's website.

The Management Engagement Committee meets to review the activities and performance of the Investment Manager on at least an annual basis. The Board reviews the Company's investment record over the short and long-term periods, taking into account factors including the Net Asset Value per share and the share price. The Board also considers the performance of the manager in carrying out its company secretarial and general administrative functions.

Based on this review of the Manager's performance and noting also the distinct and differentiated investment approach of the Manager, the Management Engagement Committee has concluded that the continuing appointment of the investment manager on the terms agreed is in the interests of its shareholders as a whole.

Charitable Causes

Literacy Capital plc has a unique charitable mission. More than one in four children in England leave primary school unable to read well, which results in adverse, long-term consequences for the child and society. The Company aims to assist in the education of children in the UK, in particular by promoting and supporting the development of literacy.

The Company makes and will continue to make an annual donation equating to 0.9 per cent of the Company's Net Asset Value at year end to charities, thereby providing consistent, long-term charitable donations. The amount reserved for donation for the three-month period to 31 March 2022 is £434k. The Company has donated or reserved for donation more than £3.8m since inception in 2017 to 31 March 2022.

The Directors believe that the commercial knowledge and experience the Investment Manager has in backing small companies and supporting their growth, enables the Company and the charities it supports to make a significant social impact in an efficient and cost-effective way.

Share Capital

At 31 March 2022, 60,000,000 ordinary shares of £0.001 each were in issue and fully paid. All ordinary shares have the same voting rights, preferences and no restrictions on the distribution of dividends and the repayment of capital.

49,950,000 deferred shares amounting to £49,950 were outstanding at 31 March 2022. All deferred shares have no voting rights, and are not entitled to the distribution of dividends and the repayment of capital.

The rights attached to the shares are set out in the Articles of the Company. There are no restrictions on the transfer of ordinary shares or special controls rights in relation to the Company's shares. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

In accordance with the Market Abuse Regulation, Directors and Members of the Investment Manager are required to seek approval before dealing in the Company's shares.

Warrants to subscribe for ordinary shares in Literacy Capital plc have been issued to certain Members of the Investment Manager. Paul Pindar and Richard Pindar, the only individuals to be both Directors of the Company and Members of the Investment Manager, have not been and will not be issued any Warrants.

The Warrants are designed to provide long-term incentivisation for Members of the Investment Manager. The terms of the Warrants state that they give right to be exercised into Ordinary Shares in a time period between the third and tenth anniversaries of their respective issue date.

As at 31.03.2022, 302,500 warrants were in issue, which will all vest at certain points in 2024. 250,000 were issued with an exercise price of 160p, with the remaining 52,500 issued with an exercise price of 286p.

Subsequent Events

In April, BOOK made a further investment in Hometree of £250k to support an acquisition that the business made and later in the same month, also made a further investment into Alufold amounting to £275k. In May, the Company made a further investment into Hanmere totalling £892k.

In May, BOOK made its first drawing under the RCF of £1m.

No new investments or other transactions completed in the period since 31 March 2022.

Composition of the Board

The Board currently comprises four independent non-executive Directors, and two non-independent, non-executive Directors. Paul Pindar is Chair of the Board, Rachel Murphy is Chair of the Audit Committee and Simon Downing is Chair of the Management Engagement Committee. Five of the Directors are male and one is female. The Company holds a Directors and Officers indemnity insurance policy for the benefit of all Directors.

Disclosure of Information to Auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that: so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Information Disclosed in the Strategic Report

In accordance with section 414C(11) the Company has chosen to set out in the Company's strategic report information required to be contained in the Directors' report in relation to risk management and future developments of the Company. This information is set out within the Strategic Report from page 3.

Related Party Transactions

Details in respect of the Company's related party transactions during the period are included in note 22 to the financial statements.

This report was approved by the Board and signed on its behalf by:

Paul Pindar
Chairman
On behalf of the Board of Directors
1 June 2022

Directors' Responsibility Statement

The Directors are responsible for preparing the Report for the three month period and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing the 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 they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- Assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Paul Pindar
Chairman
On behalf of the Board of Directors
1 June 2022

Independent Auditors Report to the Members of Literacy Capital plc

Opinion

We have audited the financial statements of Literacy Capital PLC (the 'company') for the period ended 31 March 2022 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of the company's profit for the period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

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

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, as described, by reviewing supporting and contradictory evidence in relation to these key assumptions;
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

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

We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address this matter and our key observations arising from those procedures.

This matter, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Valuation of the investments portfolio Please refer to note 5.1 "Critical judgements in applying the Company's accounting policies" and note 12 "Financial instruments" in the financial statements for details of critical judgements and estimates in valuation of the investments. Also refer to the accounting policy for the valuation of investments described in note 3.4 ("Measurement"). The company has a significant portfolio of investments totalling £191.2m as of 31 March 2022. These are measured at fair value, which is determined in accordance with IFRS 13, Fair Value Measurement and the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as price of recent transactions subsequently calibrated, earnings multiples and net assets. Therefore, the valuation methodologies incorporate a significant level of judgement to ascertain fair value under each method. There is therefore a risk that inappropriate judgements made under each methodology	Our audit procedures included, but were not limited to: • Understanding and evaluating management's process and controls around investment recording and valuation ; • We engaged our internal valuation experts to perform below procedures: o considering whether the techniques and methodologies applied for valuing investments were in accordance with published guidance, principally the requirements of IFRS 13, Fair Value Measurement and the International Private Equity and Venture Capital Valuation Guidelines. This included reviewing and challenging the principles and assumptions used in the valuation of investments under each methodology; o For investments valued on an earnings multiples basis performing a review of the Total Gross Asset Value (TGAV) and Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) multiples used and assess whether the multiples applied by management are within a reasonable range of fair value in comparison to market transactions; o For investments valued using the recent transaction method, obtaining an understanding of the circumstances surrounding the transaction and whether it was considered to be carried out on an

may lead to a material misstatement of the investment values. We therefore identified valuation of investments as a key audit matter as it had a significant effect on our overall audit strategy and allocation of resources.	arms-length basis and therefore suitable as an input to the valuation; and o For fund investments valued by third party fund managers considering the appropriateness of the methodology used and confirmed net asset value to third party confirmations. • For all investments we obtained direct confirmations from investee companies and third party fund managers, as appropriate, and verified the accuracy and completeness of source data used in management's valuation calculations and reviewed the valuation model for mathematical accuracy. • We reviewed subsequent events for any information that could impact the valuations as at the period-end. • We have reviewed the reasonableness of disclosures of investments in accordance with relevant accounting standards, including considerations of the potential effect of changing one or more inputs to reasonably possible alternative valuation assumptions, including within the sensitivity disclosures prepared by the entity. **Our observations** Based on the work performed and evidence obtained, we found that the valuation of investments portfolio as at 31 March 2022 to be reasonable and performed in accordance with the guidelines stated above.

Our Application of Materiality and an Overview of the Scope of the Audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,896,617
How we determined it	Approximately 1% net assets
Rationale for benchmark applied	Net assets have been identified as the principal benchmark within the financial statements as it is considered to be the focus of the shareholders. 1% of net assets has been chosen to reflect the level of understanding of the stakeholders of the company in relation to the inherent uncertainties around accounting estimates and judgments, principally in relation to investment valuation.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected

	misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments, together with our assessment of the overall control environment, our judgment was that we set performance materiality at £1,327,632.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £56,899 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates, principally in relation to valuation of investments.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other Information

The other information comprises the information included in the report and financial statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are Required to Report by Exception

In light of the knowledge and understanding of the company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: anti-money laundering regulation, general data protection regulation and the Listing Rules.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the company, the industry in which they operate, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Reviewing minutes of directors' meetings in the period; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to valuation of investments, and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

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

Other Matters which we are Required to Address

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 23 January 2020 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 3 year and 3 months, covering the years ended 31 December 2019 to 31 December 2021, and a 3 month period ended engagement to 31 March 2022.

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

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

Use of the Audit Report

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

Stephen Brown (Jun 1, 2022 17:43 GMT+1)

Stephen Brown (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF
Date: 1 June 2022

Financial Statements

Statement of comprehensive income
For the three months ended 31 March 2022

Note		For the three months ended 31 March 2022	For the year ended 31 December 2021
		Total	**Total**
		£	**£**
	Gains on investments		
12	Gain on fair value on investments	21,104,394	81,475,045
12	Realised gain on disposal of investments	28,677	4,094,913
	Gains for the period on investments	**21,133,071**	**85,569,958**
6	Investment income	5,724,647	3,527
7	Operating income	183	45
	Total	**5,724,830**	**3,572**
	Total income	**26,857,901**	**85,573,530**
	Expenses		
8	Operating expenses	(809,290)	(2,997,377)
	Total operating expenses	**(809,290)**	**(2,997,377)**
10	Charitable donations	(434,101)	(1,526,943)
	Net foreign exchange loss	62,606	(3,039)
	Profit for the period before taxation	**25,677,116**	**81,046,171**
11	Tax credit / (expense)	456,802	(2,112,742)
	Profit for the period	**26,133,918**	**78,933,429**
	Other comprehensive income	-	-
	Total comprehensive income	**26,133,918**	**78,933,429**
	Earnings per share for profit attributable to the ordinary shareholders of the company:		
18	Basic earnings per share	**43.56 pence**	**131.56 pence**
18	Diluted earnings per share	**43.34 pence**	**130.90 pence**

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

Statement of financial position
As at 31 March 2022
Company number: 10976145

Note		31 March 2022	31 December 2021
		£	£
	Non-current assets		
12	Investments	191,213,506	163,643,809
		191,213,506	**163,643,809**
	Current assets		
13	Trade and other receivables	528,608	556,281
16	Cash and cash equivalents	2,982,399	5,202,210
	Unpaid share capital debtors	49,950	49,950
		3,560,957	**5,808,441**
	Current Liabilities		
14	Trade and other payables	604,847	1,137,310
10	Accrual for charitable donation	1,706,935	1,344,476
		2,311,782	**2,481,786**
	Net current assets	**1,249,175**	**3,326,655**
	Non-current liabilities		
10	Accrual for charitable donation	434,101	619,000
15	Deferred tax liabilities	1,910,072	2,366,874
	Total non-current liabilities	**2,344,173**	**2,985,874**
	Net assets	**190,118,508**	**163,984,590**
	Capital and reserves		
17	Share capital	109,950	109,950
	Share premium	53,946,000	53,946,000
	Retained earnings	136,062,558	109,928,640
	Total share capital & reserves	**190,118,508**	**163,984,590**

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

The financial statements were approved and authorised for issue by the Board of Directors on 1 June 2022 and were signed on its behalf by:

Paul Pindar
Director
1 June 2022

Statement of changes in equity

For the three months ended 31 March 2022

For the three months ended 31 March 2022	Share capital	Share premium	Retained earnings	Total
	£	**£**	**£**	**£**
Balance at 31 December 2021	109,950	53,946,000	109,928,640	163,984,590
Profit for the period	-	-	26,133,918	26,133,918
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	**26,133,918**	**26,133,918**
Contributions by and distributions to owners				
Issue of ordinary shares	-	-	-	-
Total transactions with owners	-	-	-	-
Balance as at 31 March 2022	**109,950**	**53,946,000**	**136,062,558**	**190,118,508**

For the year ended 31 December 2021	Share capital	Share premium	Retained earnings	Total
	£	**£**	**£**	**£**
Balance at 31 December 2020	109,950	53,946,000	30,995,211	85,051,161
Profit for the period	-	-	78,933,429	78,933,429
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	**78,933,429**	**78,933,429**
Contributions by and distributions to owners				
Issue of new shares	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 31 December 2021	**109,950**	**53,946,000**	**109,928,640**	**163,984,590**

Statement of Cash flows
For the three months ended 31 March 2022

Note		For the three months ended 31 March 2022	For the year ended 31 December 2021
	Cash flows from operating activities	**£**	**£**
	Cash inflow/(outflow) from operating activity		
	Loan notes interest received	-	60,486
	Management fee paid	(458,083)	(1,317,163)
	Payroll expenses	(26,284)	(67,306)
	Other operating expenditures	(829,694)	(1,545,074)
	Charitable donations paid	(256,538)	(257,609)
	Net cash used in operating activities	**(1,570,599)**	**(3,126,666)**
	Cash flows from investing activities		
	Cash inflow/(outflow) from investing activities		
	Purchase of Investments	(6,482,722)	(13,203,261)
	Cash realised from investments	5,833,283	11,805,193
	Net cash used in investing activities	**(649,439)**	**(1,397,348)**
	Net decrease in cash and cash equivalents	**(2,220,038)**	**(4,524,014)**
16	Cash and cash equivalents - opening balance	5,202,210	9,725,688
	Effect of exchange rate fluctuations on cash and cash equivalents	227	536
	Cash and cash equivalents - closing balance	**2,982,399**	**5,202,210**

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

Notes to Financial Statements

For the three months ended 31 March 2022

1. Reporting to entity

Literacy Capital plc (the "Company") is a public limited company, limited by shares, incorporated in United Kingdom. The Company's registered office is 3rd Floor, Charles House, 5-11 Regent Street St James's, London, SW1Y 4LR. Literacy Capital plc is a closed-end investment company focused on investing in and supporting small, growing UK businesses and helping their management teams to achieve long-term success.

2. Basis of preparation

These financial statements for the three month period to 31 March 2022 have been prepared in accordance with UK-Adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006. The comparatives are for a longer period covering the twelve months to 31 December 2021.

Details of the Company's accounting policies, including changes during the period, are included in Note 3.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 5.

The purpose of the Company is to invest into predominantly UK businesses, and then to grow them to generate a positive return for its investors. In the most parts, this return will be generated through capital appreciation, but may also be through the generation of investment income. Once an investment has been made, it is actively managed on an ongoing basis. In addition, the performance of the Company's investments is evaluated using the most recently available financial information from each of the investee companies. The investments are always valued on a fair value basis. On this basis, the Directors assessed that the Company meets the definition of an investment entity per IFRS 10 and therefore shall measure the investment in subsidiaries at fair value through profit or loss in accordance with IFRS 9.

The Board has assessed the financial position and prospects of the Company over the next 12 months, whilst considering the additional risks and uncertainties caused by continuing Covid-19 pandemic.

On 31 March 2022 Literacy Capital plc had cash reserves of £3.0 million (2021: £5.2 million), as well as access to a £15 million revolving credit facility ("RCF"), committed by Investec Bank plc until the end of 2024. The total cash available to the Company is far in excess of its operating costs for the foreseeable future (including both its charitable donations and any Investment Management fees), plus any commitments to the portfolio or fund commitments. The provision relating to outstanding donations to be paid is £2.1 million.

The only material obligations that BOOK has relate to undrawn amounts to its four fund commitments, amounting to £4.9m. However, £1.5m of this amount, relates to three funds whose investment periods have expired or where their managers have since raised successor funds. As a result, BOOK has just one fund commitment where further drawdowns are expected. This fund is highly unlikely to draw 100% of BOOK's committed amount and is expected to draw capital once per year in December, giving BOOK good visibility over the timing and quantum of future capital calls. Several of BOOK's portfolio companies are highly profitable and cash generative, so it has the ability to generate further cash from the portfolio to build its cash reserves in due course if this is required by the Company.

The Directors do not believe there are any significant risks and uncertainties likely to impact the ability of the Company to continue in business and believe that it has adequate resources to operate for at least twelve months from the date of approval of the financial statements, and so for this reason, the Company continues to adopt the going concern basis in preparing the accounts.

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss for equity and debt investments, which are measured at fair value.

2.2 New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods. The following are amendments that the Company has decided not to adopt early:

- Amendments to IAS 1, Presentation of financial statements in classification of liabilities as current or noncurrent (effective 1 January 2023)
- Amendments to IAS 1, Disclosure of Accounting Policies (effective 1 January 2023); and
- Amendments to IAS 8, Definition of Accounting Estimates (effective 1 January 2023).

The Directors do not expect that adoption will have any material effect on the financial statements.

3. Accounting Policies

3.1 Revenue

Revenue is measured as the fair value of the consideration received or receivable and predominantly includes income from investments.

Interest income is recognised as a gain on fair value of investments in the Statement of Comprehensive Income. This is done in accordance with the measurement of debt investments (on which the aforementioned interest income is earned) being held at fair value through profit and loss. This is based on the fact that the interest income on these debt investments is incidental to the business model's objective, which is to hold these investments for trading that would typically result in active buying and selling. This has been further explained below in 'Accounting Policies for Financial Instruments' (Note 3.4).

Dividends receivable on equity and non-equity shares, which carry significant equity rights, are recognised as revenue when the shareholders' right to receive payment has been established, normally the ex-dividend date. When no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any non-equity dividends not expected to be received.

As stated in IFRS 15 the Company recognises revenue from rendering services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services.

3.2 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

3.3 Alternative investment fund manager fee

The Company accrues for an annual management fee by Literacy Capital Asset Management LLP (an Alternative Investment Fund Manager, "AIFM"), which is calculated as 0.9% of the closing March 2022 adjusted Net Asset Value, as set out in the Investment Management Agreement.

The Company is party to an agreement dated 18 June 2021 between the Company and the Investment Manager whereby the Investment Manager is appointed to act as investment manager of the Company. The Investment Manager has agreed to provide customary services of a discretionary investment manager that is also appointed as a UK AIFM to the Company. The Investment Manager also provides certain company secretarial services to the Company pursuant to the Investment Management Agreement.

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to the management fee referred to above together with reimbursement of all reasonable costs and expenses incurred by it in the performance of its duties.

The Investment Management Agreement may be immediately terminated by either party in certain circumstances such as a material breach which is not remedied. The Company has also agreed to indemnify the Investment Manager for losses that the Investment Manager may incur in the performance of its duties pursuant to the Investment Management Agreement or otherwise in connection with the Company's activities that are not attributable to, inter alia, a material breach of requirements applicable to the Investment Manager, or the negligence, fraud, wilful default or bad faith of, the Investment Manager.

The Company is also party to a side letter agreement dated 18 June 2021 between the Company and the Investment Manager pursuant to which the Company has agreed to issue Warrants to members and employees of the Investment Manager both prior to Admission and at intervals thereafter upon request of the Investment Manager, provided that the maximum number of Warrants to be issued will be equal to 5 per cent of the total issued share capital at the time of Admission.

3.4 Financial instruments

Recognition

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Measurement

When the Company first recognises a financial asset, it classifies the asset based on the business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

- Amortised cost—a financial asset is measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

- Fair value through other comprehensive income—financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Fair value through profit or loss—any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

The debt investments are held at fair value through profit or loss even though the Company collects contractual cash flows through its holding in such investments. The Company does not consider collection of contractual cash flows to be integral, rather it is incidental to the business model's objective which is to hold these investments for trading that would typically result in active buying and selling. On this basis, it was concluded debt investments held at fair value through profit or loss would give a more reliable representation at the relevant balance sheet date. As a result, the interest accrued on these investments is recognised as a gain on fair value of investments in the Statement of Comprehensive Income. The gain on the disposal of any such investments is recognised as realised gain on disposal of investments in the Statement of Comprehensive Income.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The manager determines asset values using the valuation principles of IFRS 13. 'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Impairment

12-month expected credit losses

12-month expected credit losses are calculated by multiplying the probability of a default occurring in the next 12 months with the total (lifetime) expected credit losses that would result from that default, regardless of when those losses occur. Therefore, 12-month expected credit losses represent a financial asset's lifetime expected credit losses that are expected to arise from default events that are possible within the 12-month period following origination of an asset, or from each reporting date for those assets in initial recognition stage.

Lifetime expected credit losses

Lifetime expected credit losses are the present value of expected credit losses that arise if a borrower defaults on its obligation at any point throughout the term of a lender's financial asset (that is, all possible default events during the term of the financial asset are included in the analysis). Lifetime expected credit losses are calculated based on a weighted average of expected credit losses, with the weightings being based on the respective probabilities of default.

The expected credit losses estimated for the financial statements are immaterial, therefore this has not been included in the debtors.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9. The Company uses the weighted average method to determine realised gains and losses on derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss.

3.5 Charitable donations

The Company recognises an accrual for charitable donations which is calculated by applying 0.9% to a pro forma Net Asset Value adjusted for fair value uplifts. The donations are paid subsequent to the year end and the accrual is reversed to the extent of the amount paid as donations.

3.6 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Profit or Loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax balances are recognised in respect of all taxable temporary differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

3.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.8 Basis of treatment of subsidiaries

Subsidiaries are those enterprises which are controlled by the Company. Control exists when the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to effect those returns through its power over the investee. The following investee companies meet the definition of being controlled by the Company on the basis of ownership (>50% ownership of shares):

Name of company	Registered address
Tyrefix UK	Unit 3, Hill Lane Close, Markfield, Leicester, Leicestershire, LE67 9PY
EPM	20, Harris Business Park, Hanbury Road, Bromsgrove, United Kingdom, B60 4DJ

Flight Calibration Services	Calibration House, 17-19 Cecil Pashley Way, Shoreham Airport, Shoreham BN43 5FF
Grayce Group	1st Floor, Hilton House, Hilton Street, Manchester, England, M1 2EH
Alufold Direct	Unit 13, Philips Road, Whitebirk Industrial Estate, Blackburn, BB1 5AQ
RCI Group	First Floor, Station Place, Argyle Way, Stevenage, England, SG1 2AD
Antler Homes	Knightway House, Park Street, Bagshot, Surrey, England, GU19 5AQ
Oxygen Freejumping	15 Vision Industrial Park, Kendal Avenue, London, England, W3 0AF

Under IFRS 10 'Consolidated Financial Statements', qualifying entities that meet the definition of an investment entity are not required to prepare consolidated financial statements and instead account for subsidiaries at fair value through profit or loss. The Directors deem the Company to be an investment entity and therefore the Company does not consolidate its subsidiaries but instead carries it at fair value through profit or loss. Please refer Note 2.

3.9 Operating Segments

The Board consider that the Company has one operating segment, being the activity of investing in unquoted companies primarily for capital appreciation in accordance with the Company's published investment objective as disclosed in the Strategic Report. The Company operates within the United Kingdom. The Board therefore concludes that further disclosures under IFRS 8 Operating Segments are not required.

4. Functional and presentation currency

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest pound, unless otherwise indicated.

A foreign currency transaction is recorded initially at the rate of exchange at the date of the transaction. Assets and liabilities are translated from foreign currency to the functional currency at the closing rate at the end of the reporting period. The resulting gains or losses are included in the statement of comprehensive income.

5. *Accounting estimates and judgments*

The preparation of financial statements in conformity with International Accounting Standards requires Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.1. Critical judgements in applying the Company's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Valuation of Investments Judgements made by Directors in the application of International Accounting Standards that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year relate to the valuations of unquoted equity and debt investments, as disclosed in Note 12.

6. Investment Income

The following table sets out the income derived from investments:

Particulars	For the three months ended 31 March 2022	For the year ended 31 December 2021
	£	£
Distribution of income from investments	5,724,647	3,527
Total	**5,724,647**	**3,527**

7. Operating Income

The following is an analysis of the Company's revenue for the period from continuing operations.

Analysis of revenue by country of destination:

	For the three months ended 31 March 2022	For the year ended 31 December 2021
	£	£
United Kingdom	183	45
	183	**45**

8. Operating Expenses

	For the three months ended 31 March 2022	For the year ended 31 December 2021
	£	£
Non-Executive Director remuneration	26,180	70,218
Auditor remuneration	57,500	52,500
Other operating expenses	725,610	2,874,659
	809,290	**2,997,377**

9. Employees

The Company has no employees, however, the average number of Directors, during the period was 6 (2021: 6).

10. Charitable donations

The Company has recognised charitable donation expenses of £434,101 (2021: £1,526,943) calculated by applying 0.9% to a pro forma Net Asset Value adjusted for fair value uplifts of £192.9 million (2021: £169.7 million). During the period, donations paid were £256,538 (2021: £257,609). The accrual for charitable donations at the period end amounts to £2,141,036 (2021: £1,963,476). See Note 21 liquidity risk disclosure for maturity analysis of the accrual for charitable donations.

11. Taxation

	For the three months ended 31 March 2022	For the year ended 31 December 2021
	£	£
Current taxation		
United Kingdom corporation tax at 19% (2021: 19%)	-	-
Adjustments in respect of prior periods	-	364,729
	-	**364,729**

	For the three months ended 31 March 2022	For the year ended 31 December 2021
	£	£
Deferred taxation		
Origination and reversal of temporary differences	(643,197)	1,725,470
Utilisation of a deferred tax asset	-	-
Adjustments in respect of prior periods	186,395	(131,394)
Effect of tax rate change on opening balance	-	153,937
	(456,802)	**1,748,013**
	(456,802)	**2,112,742**

The actual tax charge for the current and previous periods differs from the standard rate for the reasons set out in the following reconciliation:

	For the three months ended 31 March 2022	For the year ended 31 December 2021
	£	£
Profit on ordinary activities before taxation	25,677,116	81,046,171
Tax on profit on ordinary activities at standard rate of 19% (2021: 19%)	4,878,652	15,398,772
Factors affecting tax charge for the period:		
Income not taxable in determining taxable profit	(4,262,250)	(16,520,630)
Expenses not deductible for tax purposes and other adjustments	21,201	580,600
Deferred tax on fair value gain on investments (Note 16)	-	-
Other permanent differences	-	(41)
Exempt ABGH distributions	(1,116,724)	(9,998)
Chargeable gains/(losses)	(9,709)	1,862,654
Adjustments to tax charge in respect of previous periods	-	364,729
Adjustments to tax charge in respect of previous periods - deferred tax	186,395	(131,394)
Remeasurement of deferred tax for changes in tax rates	(154,367)	568,050
Total tax on profit on ordinary activities	**(456,802)**	**2,112,742**

The tax has been calculated using a 19% corporation tax rate being the substantively enacted rate for the year starting 1 April 2021. The deferred tax, however, has been calculated using a 25% corporation tax rate, being the substantively enacted rate for the year starting 1 April 2023.

Gain on fair value of investments where the Company has a substantial shareholding, which it intends to benefit from the substantial shareholding exemption, is excluded in calculating the tax charge for the period. The net taxation credit through the profit and loss account is £456,802 (2021: expense of £2,112,742).

Factors that may affect future tax charges

The Finance Act 2020 enacted legislation to maintain the current rate of corporation tax at 19% up until at least the tax year ended 30 April 2022. On 3 March 2021, the UK Budget announcement stated that in April 2023, the Corporation Tax rate will be increased from 19% to 25%.

12. Financial instruments

	31 March 2022	31 December 2021
	£	£
Assets		
Financial assets at fair value through profit or loss		
Equity instruments at fair value through profit or loss	152,352,376	125,308,419
Debt instruments at fair value through profit or loss	38,861,130	38,335,390
Financial assets at amortised cost		
Cash and cash equivalents	2,982,399	5,202,210
Trade and other receivables (excluding prepayments)	542	542
Total financial assets	**194,196,447**	**168,846,561**

	31 March 2022	31 December 2021
Liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	604,847	1,137,310
Total financial liabilities	**604,847**	**1,137,310**

The investment reconciliation schedule for the Company as at 31 March 2022 is as follows:

	Equity instruments at fair value through profit or loss	Debt instruments at fair value through profit or loss	31 March 2022 Total
	£	£	£
Investments at 31 December 2021	125,308,419	38,335,390	163,643,809
Additions	4,797,117	1,685,605	6,482,722
Disposal of investments	(108,635)	-	(108,635)
Realised gain on disposal of investments	28,677	-	28,677
Fair value movement through profit or loss	22,264,259	(1,159,865)	21,104,394
Unrealised FX gain / (loss)	62,539	-	62,539
Investments at 31 March 2022	**152,352,376**	**38,861,130**	**191,213,506**

The investment reconciliation schedule for the Company as at 31 December 2021 is as follows:

	Equity instruments at fair value through profit or loss	Debt instruments at fair value through profit or loss	31 December 2021 Total
	£	£	£
Investments at 31 December 2020	46,893,594	29,842,772	76,736,366
Additions	5,997,501	7,205,760	13,203,261
Disposal of investments	(4,415,760)	(7,385,664)	(11,801,424)
Realised gain on disposal of investments	3,572,704	522,209	4,094,913
Fair value movement through profit or loss	73,264,247	8,210,799	81,475,045
Loan interest	-	(60,486)	(60,486)
Unrealised FX gain/(loss)	(3,867)	-	(3,867)
Investments at 31 December 2021	**125,308,419**	**38,335,390**	**163,643,809**

Fair values of financial instruments

The Company determines fair values using other valuation techniques, based on the IPEV guidelines.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Various valuation techniques may be applied in determining the fair value of investments held as Level 3 in the fair value hierarchy. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used.

The Investment Manager has selected to use EBITDA, EBIT and TGAV multiple models, milestone valuations and recent fundraises for growth investments in arriving at the fair value of investments held as Level 3 in the fair value hierarchy. The effect on the fair value measurements of Level 3 assets, as a consequence of changing one or more of the assumptions used to reasonably possible alternative assumptions can be seen on page 56 and 57.

For assets managed and valued by a third party, the fund manager provides the Company with periodic valuations of the Company's investment. The Company reviews the valuation methodology of the third-party manager. If deemed appropriate and consistent with the Company's reporting standards, the Board will adopt the valuation prepared by the third-party manager. The Company adjusts the third-party valuations for any capital calls paid and distributions received between the underlying managers reporting date and 31 March 2022 to arrive at the Directors' best estimate of fair value. The estimated valuations therefore do not take into consideration the unrealised market movements between the underlying managers reporting date and 31 March 2022. The valuations that the underlying managers ultimately provide as at 31 March 2022 may therefore materially differ to the latest valuation report available at the time of preparing these financial statements.

Fair value hierarchy – Financial assets at fair value through profit and loss

Financial assets and liabilities

31 March 2022	Level 1	Level 2	Level 3	Total
	£	£	£	£
Equity instruments at fair value through profit or loss	-	12,269,604	140,082,772	152,352,376
Debt instruments at fair value through profit or loss	-	-	38,861,130	38,861,130
Total investments	-	**12,269,604**	**178,943,902**	**191,213,506**

Financial assets and liabilities

31 December 2021	Level 1	Level 2	Level 3	Total
	£	£	£	£
Equity instruments at fair value through profit or loss	-	11,046,368	114,262,051	125,308,419
Debt instruments at fair value through profit or loss	-	-	38,335,390	38,335,390
Total investments	-	**11,046,368**	**152,597,441**	**163,643,809**

The following tables shows a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy for the underlying investments held by the Company.

	31 March 2022	31 December 2021
Unquoted investments (including debt)	£	£
Balance as at 1 January	152,597,441	70,602,994
Additional investments	6,255,355	10,519,503
Disposals of investments	(711)	(10,802,233)
Realised gain / (loss)	-	3,938,778
Change in fair value through profit & loss	20,091,817	78,338,399
Balance as at 31 March / 31 December	**178,943,902**	**152,597,441**

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 March 2022 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description Inputs	Fair value at 31 March 2022	Fair value at 31 December 2021	Significant unobservable Inputs
	£	£	
Unquoted private equity investments (including debt)	144,574,447	125,457,753	EBITDA multiple
Unquoted growth capital investments	20,701,585	27,139,690	Milestone
Unquoted private equity investments (including debt)	13,667,870	-	TGAV Multiple
	178,943,902	**152,597,441**	

Significant unobservable inputs used in measuring fair value are developed as follows:

- EBITDA and TGAV multiples: valuation multiples used by other market participants when pricing comparable assets. Where relevant and comparable private companies have recently been sold, which are deemed to be proximate to the Company's investments (based on similarity of sector, size, geography or other relevant factors), these multiples are captured for valuation purposes. Where relevant, or where insufficient private transactions have been identified, valuation data for public companies may also be used.
- Milestone: for assets which have recently completed fundraising rounds, the Company uses these valuations when determining its own holding valuations.

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements of Level 3 assets, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on the Level 3 investment valuations:

- For the Company's investment in Level 3 assets which are valued using an EBITDA multiple, the valuations used in the preparation of the financial statements imply an average EBITDA to Enterprise Value multiple of 8.2x (weighted by each asset's total valuation). The key unobservable inputs into the preparation of the valuation of mature Level 3 assets was the EBITDA to Enterprise Value multiple applied to the asset's financial performance. If these inputs had been taken to be 10 per cent. higher, the value of the Level 3 assets and profit for the period would have been £20.5m higher. If these inputs had been taken to be 10 per cent. lower, the value of the Level 3 assets and profit for the period would have been £20.8m lower
- The Company's one investment in a Level 3 asset which is valued using a TGAV multiple, was valued at 1.2x in the preparation of the financial statements. The key unobservable inputs into the preparation of the valuation of mature Level 3 assets was the TGAV to Enterprise Value multiple applied to the businesses' assets. If this had been taken to be 10 per cent. higher, the value of the Level 3 asset and profit for the period would have been £2.4m higher. If these inputs had been taken to be 10 per cent lower, the value of the Level 3 asset and profit for the period would have been £2.4m lower.

- For the Company's investment in Level 3 assets which are valued using Milestone, the use of different methodologies or assumptions could lead to different measurements of fair value. The key unobservable inputs into the preparation of the valuation was the Revenue to Enterprise Value multiple used. If the output had been taken to be 10% higher, the value of the Level 3 assets would have been £2.1m higher. If the output had been taken to be 10% lower, the value of the Level 3 assets would have been £2.1m lower.

13. Trade and other receivables

	31 March 2022	31 December 2021
	£	£
Prepayments	528,066	555,739
Other receivables	542	542
	528,608	**556,281**

14. Trade and other payables

	31 March 2022	31 December 2021
	£	£
Trade payables	96,907	31,734
Accrued expenses	503,637	1,101,171
Other creditors	4,303	4,405
	604,847	**1,137,310**

15. Deferred Tax

The following are the deferred tax assets and liabilities recognised by the Company and the movements during the three months ended 31 March 2022:

	Fair value gain on investments	Tax losses	Short term timing differences	Total
	£	£	£	£
At 1 January 2022	(3,226,118)	368,349	490,895	(2,366,874)
(Charge)/credit to income	19,944	392,493	44,365	456,802
At 31 March 2022	**(3,206,174)**	**760,482**	**535,260**	**(1,910,072)**

The following are the deferred tax assets and liabilities recognised by the Company and the movements during the year ended 31 December 2021:

	Fair value gain on investments	Tax losses	Short term timing differences	Total
	£	£	£	£
At 1 January 2020	(758,228)	180,687	-	(577,541)
(Charge)/credit to income	139,367	(180,687)	-	(41,320)
At 1 January 2021	(618,861)	-	-	(618,861)
(Charge)/credit to income	(2,607,257)	368,349	490,895	(1,748,013)
At 31 December 2021	**(3,226,118)**	**368,349**	**490,895**	**(2,366,874)**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31-Mar-22	31-Dec-21
	£	£
Deferred tax liability	(1,910,072)	(2,366,874)
	(1,910,072)	**(2,366,874)**

Gain on fair value of investments where the Company has a substantial shareholding, which it intends to benefit from the substantial shareholding exemption, is excluded in calculating the deferred tax liability.

At the balance sheet date, the Company had no unused tax trading losses (2021: £nil) available for offset against future profits.

16. Cash and cash equivalents

	31 March 2022	31 December 2021
	£	£
Cash at bank and hand	2,982,399	5,202,210
	2,982,399	**5,202,210**

17. Share Capital

	2022 Number	2022 £	2021 Number	2021 £
Ordinary shares of £0.001 each	60,000,000	60,000	60,000,000	60,000
Deferred shares of £0.001 each	49,950,000	49,950	49,950,000	49,950
	109,950,000	**109,950**	**109,950,000**	**109,950**

- The number of shares issued and allotted have been paid to the extent of 60,000,000 shares amounting £60,000 as at 31 March 2022 (2020: 60,000,000 shares amounting £60,000).

- 49,950,000 shares amounting £49,950 were outstanding as at 31 March 2022 (2020: 49,950,000 shares amounting £49,950).
- All ordinary shares have the same voting rights, preferences, and no restrictions on the distribution of dividends and the repayment of capital.
- All deferred shares have no voting rights and are not entitled to the distribution of dividends and the repayment of capital.

18. Basic and diluted profit per share (pence)

Basic profit per share is calculated by dividing the profit of the Company for the period attributable to the ordinary shareholders of £26,133,918 (for the year ended 31 December 2021: profit of £78,933,429) divided by the weighted average number of shares outstanding during the period of 60,000,000 (for the year ended 31 December 2021: 60,000,000).

Diluted profit per share is calculated by dividing the profit of the Company for the period attributable to the ordinary shareholders of £26,133,918 (for the year ended 31 December 2021: profit of £78,933,429) divided by the weighted average number of ordinary shares outstanding during the period, as adjusted for the effects of all dilutive potential ordinary shares, of 60,302,500 (for the year ended 31 December 2021: 60,302,500).

19. NAV per share (pence)

The Company's NAV per share of 316.86 pence (for the year ended 31 December 2021: 273.31 pence) is based on the net assets of the Company at the period end of £190,118,508 (for the year ended 31 December 2021: £163,984,590) divided by the shares in issue at the end of the period of 60,000,000 (for the year ended 31 December 2021: 60,000,000).

The NAV per share of 320.0 pence reported within 'Performance Highlights, page 1 and 'Strategic Report' from page 3 excludes certain deferred tax liabilities shown in the Company's financial statements, on the basis that these amounts are not expected to become payable in the future should the Company receive approval of its investment trust status.

The Company's diluted NAV per share of 316.19 pence (for the year ended 31 December 2021: 272.85 pence) is based on the net assets of the Company at the period end of £190,118,508 (for the year ended 31 December 2021: £163,984,590), plus £550,110 which the Company will receive as proceeds from the exercise of warrants, divided by the shares in issue at the end of the period, as adjusted for the effects of dilutive potential ordinary shares of 60,302,500 (for the year ended 31 December 2021: 60,302,500).

The Company's diluted NAV per, share excluding certain deferred tax liabilities shown in the Company's financial statements, on the basis that these amounts are not expected to become payable in the future should the Company receive approval of its investment trust status, is 319.27 pence (for the year ended 31 December 2021: 276.69 pence).

The below table provides a reconciliation of the weighted average number of ordinary shares used as the denominator including the individual effect of each class of instruments have been met.

	31 March 2022 Number	31 December 2021 Number
Weighted average number of ordinary shares used as the denominator in calculation of basic earnings share	60,000,000	60,000,000
Adjustments for calculation of diluted earnings per share :		
Issue of Warrants	302,500	302,500
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**60,302,500**	**60,302,500**

20. Reserves

The following are the reserves with the entity as on 31 March 2022:

- Share Capital: Capital issued and paid to the extent of £60,000. £49,950 worth of share capital was outstanding.
- Share Premium: Premium above par value issued and fully paid.
- Retained Earnings: Accumulated profits and losses less any dividends paid.

21. Financial risk management

The Company's financial instruments comprise:

- Investments in unlisted companies, comprising equity and loans,
- Cash and cash equivalents,
- Accrued interest, trade and other receivables, accrued expenses and sundry creditors.

Financial risk management objectives and policies

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, currency risk and interest rate risk. None of those risks are hedged. These risks arise through directly held financial instruments and through the indirect exposures created by the underlying financial instruments in the investments. These risks are managed by the Directors in conjunction with the Investment Manager.

Capital Management

The Company's capital is represented by ordinary shares of £0.001 each, which carry one vote per share and are entitled to dividends, and deferred shares of £0.001 each, which do not carry any voting rights and are not entitled to dividends. The only additional restriction the Company has in relation to its share capital is that, pursuant to shareholder approval on 15 June 2021, the maximum number of shares the Company can repurchase is 14.99% of the Ordinary Shares in issue. The movements in capital are shown in the consolidated statement of changes in equity.

The Company's objectives are to achieve positive, long-term returns for shareholders. In meeting this objective, the Company may issue shares or return capital to shareholders by paying dividends or repurchasing shares.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's liquid assets comprise cash and cash equivalents and trade and other receivables, which are readily realisable. The Company's liabilities consisted of trade and other payables which are to be settled within one year. The liabilities further consisted of accruals, a major part of which will be settled within one year, while the balance will be settled within the next 5 years.

31 March 2022	Less than 1 Year £	1 - 5 Years £	Over 5 years £	No stated maturity £
Financial liabilities				
Trade and other payables	101,210	-	-	-
Accruals	503,637	-	-	-
Accrual for charitable donation	1,706,935	434,101	-	-
Total	**2,311,782**	**434,101**	-	-

31 December 2021	Less than 1 Year £	1 - 5 Years £	Over 5 years £	No stated maturity £
Financial liabilities				
Trade and other payables	36,139	-	-	-
Accruals	1,101,171	-		
Accrual for charitable donation	1,344,476	619,000	-	-
Total	**2,481,786**	**619,000**	-	-

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company's financial assets are held at fair value through profit or loss except trade and other receivables which is held at amortised cost. The Company monitors the credit risk on this asset based on the historical credit loss experience and past due status of the debtors in absence of an external credit rating and takes into consideration forward-looking and macroeconomic information to consider the risks of a default event occurring. The carrying amount of the financial assets at fair value through profit or loss as disclosed in note 12 best represents their respective maximum exposure to credit risk. The Company holds no collateral over any of these balances.

	31 March 2022 £	31 December 2021 £
Trade and other receivables (excluding prepayments)	542	542
Cash and cash equivalents	2,982,399	5,202,210
	2,982,941	**5,202,752**

The maximum exposure to credit risk before any credit enhancements as at 31 March is the carrying amount of the financial asset held at amortised cost as set out in Note 12.

Expected Credit Loss (ECL) is the probability-weighted estimate of credit losses over the expected life of a Financial Instrument. For trade and other receivables, the Company has applied the simplified approach in IFRS 9 to measure the allowance at lifetime expected credit losses. The Company has evaluated the credit risk based on the historical credit loss experience and based on past due status of the debtors, taking into consideration forward-looking and macroeconomic information to consider the risks of a default event occurring. Following the assessment of the risk by management there was no evidence of default events occurring and it was concluded that the asset does not have a significant increase in credit risk since initial recognition and has low credit risk at the reporting date. The Company has therefore not recognised a loss allowance in the period ended 31 March 2022 (2021: £nil).

Currency risk

The Company's operations are conducted in Sterling. Investments are typically made in GBP, though the Company has made investments in Euro and USD denominated funds. At period end BOOK had outstanding commitments to three fund investments denominated in EUR and USD totalling £4.9m. There is therefore a risk from fluctuations in the GBP: Euro and USD: GBP rates. The Investment Manager takes this factor into account when making any investment decisions.

The below tables show a sensitivity analysis on the impact of foreign exchange rate movements on the net asset value (NAV) of the Company:

	31 March 2022		31 December 2021	
% change in foreign currency rates	% change in NAV	Value of Net Assets	% change in NAV	Value of Net Assets
No change	-	190,118,508	-	163,984,590
10% favourable change	0.45%	190,977,855	0.39%	164,260,595
10% unfavourable change	(0.37)%	189,415,406	(0.44)%	163,261,345

The below tables show a sensitivity analysis on the impact of foreign exchange rate movements on the profit and loss of the Company:

	31 March 2022		31 December 2021	
% change in foreign currency rates	% change in profit or loss	Value of Profit or Loss	% change in profit or loss	Value of Profit or Loss
No change	-	26,133,918	-	78,933,429
10% favourable change	3.29%	26,993,265	0.81%	79,569,434
10% unfavourable change	(2.69)%	25,430,816	(0.92)%	78,210,184

Interest rate risk

At year end the Company had no borrowings but had access to an undrawn £15m RCF where interest expense on any drawn amount is linked to SONIA. The Directors and Investment Manager monitor the SONIA rate and will consider interest rate change implications before any drawdown is made.

Interest rates earned on the cash balances of the Company are already low, so this is not considered a risk.

22. Related party transactions

Two Directors of the Company are designated members of the Investment Manager, Literacy Capital Asset Management LLP ("LCAM").

Total expenses through the statement of comprehensive income with LCAM during the period was £434,101 (2021: £1,526,943). The total expense related to the rendering of AIFM services during the period. At the period end the balance due to be paid to the LLP for these services was £62,838 (2021: £633,073).

The Company recognises Bookmark Reading Trading Limited as a related party because Sharon Pindar, wife of Paul Pindar, is a Director in Bookmark Reading Trading Limited.

The Company also recognises Bookmark Reading Charity as a related party for the same reason as mentioned above for Bookmark Reading Trading Limited.

The total payments made during the period was £231,538 (2021: £219,109). The Company has a provision or charity and other donation payments amounting to £2,141,036 (2021: £1,963,476). Out of this provision, certain donations will be made to Bookmark Reading Trading Limited and Bookmark Reading Charity.

23. Capital Commitments

Further capital commitments of €4,323,240 (2021: €4,323,240), £294,530 (2021: £294,530) and $1,200,000 (2021: $1,500,000) remain outstanding and are yet to be drawn down.

24. Subsequent events

In April, BOOK made a further investment in Hometree of £250k to support an acquisition that the business made and later in the same month, also made a further investment into Alufold amounting to £275k. In May, the Company made a further investment into Hanmere totalling £892k.

In May, BOOK made its first drawing under the RCF of £1m.

No new investments or other transactions completed in the period since 31 March 2022.

25. Ultimate controlling party

Literacy Capital plc does not have an ultimate controlling party.

Additional Information

Investment Policy

The Company's investment policy is to invest in a diversified portfolio consisting primarily of equity and equity related securities issued by unquoted companies.

Investments will be primarily in equity and equity-related instruments (which shall include, without limitation, preference shares, convertible debt instruments, equity-related and equity-linked notes and warrants) issued by portfolio companies. The Company will also be permitted to invest in partnerships, limited liability partnerships and other legal forms of entity where the investment has equity like return characteristics.

For the purposes of this investment policy, unquoted companies shall include companies with a technical listing on a stock exchange but where there is no liquid trading market in the relevant securities on that market (for example, companies with listings on The International Stock Exchange and the Cayman Stock Exchange). Further, the Company shall be permitted to invest in unquoted subsidiaries of companies whose parent or group entities have listed equity or debt securities.

The Company may hold debt instruments issued by a portfolio company where the Company also has equity or equity-related interests in that portfolio company.

The Company may participate in the IPO of an existing unquoted company investment, subject to the investment restrictions below. In particular, unquoted portfolio companies may seek IPOs from time to time following an investment by the Company, in which case the Company may continue to hold its investment without restriction.

The Company will invest and manage its assets with the objective of spreading risk. No single investment (including related investments in group entities) will represent more than 20 per cent of Gross Assets, calculated as at the time of that investment. The Company will not be required to dispose of any investment or rebalance its portfolio as a result of a change in the respective value of any of its investments.

While the Company does not intend to focus its investments on a particular sector, there is no limit on the Company's ability to make investments in portfolio companies within the same sector if it chooses to do so.

The Company will seek to ensure that it has suitable and appropriate investor protection rights through its investment in portfolio companies.

The Company may acquire investments directly or by way of holdings in SPVs, intermediate holding vehicles or other fund or similar structures.

The Company may also make charitable donations equal to 0.9 per cent of net assets in each financial year, as determined by the Board from time to time.

Borrowing Policy

The Company may incur indebtedness of up to a maximum of 20 per cent of its Net Asset Value, calculated at the time of drawdown, for investment and for working capital purposes.

Where the Company invests in portfolio companies indirectly (whether through SPVs as holding entities, funds or otherwise), notwithstanding the previous paragraph, indebtedness in such holding entity will not be included in the calculation of indebtedness of the Company provided that the provider of such debt only has recourse to the assets of the holding entity and does not have recourse to the other assets of the Company or other investments made by the Company.

Investment restrictions

The Company will voluntarily comply with the investment restrictions set out below and will continue to do so for so long as they remain requirements of the FCA for closed ended funds subject to the Listing Rules:

- neither the Company nor any of its subsidiaries will conduct any trading activity which is significant in the context of the group as a whole;
- the Company must, at all times, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with the published investment policy; and
- not more than 10 per cent of the Gross Assets at the time an investment is made will be invested in other closed-ended investment funds which are listed on the Official List, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15 per cent of their gross assets in other listed closed-ended investment funds.

Any material change to the investment policy of the Company will be made only with the approval of Shareholders.

In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the remedial actions to be taken by the Company through an RNS Announcement.

Periodic Disclosures

Literacy Capital Asset management ("LCAM") has served as the Alternative Investment Fund Manager since 1 April 2020. LCAM and the Company are required to make certain period disclosures in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). For the purposes of AIFMD:

- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report and note 21 to the financial statements set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by LCAM.

Leverage

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Company's exposure to its net asset value and can be calculated on a Gross and a Commitment method.

Under the Gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the Commitment method, exposure is calculated without deduction of cash balances and after certain hedging and netting positions are offset against each other.

The table below sets out the current and maximum permitted limit and actual level of leverages for the Company at 31.03.2022:

	Gross Method	Commitment Method
Maximum level of leverage	120%	120%
Actual level at 31 March 2022	Nil	Nil

Material Changes to Information

Article 23 of the AIFM Directive requires certain information to be made available to investors before they invest and requires material changes to this information to be disclosed in the Report and Accounts for the three month period to 31 March 2022. There have been no material changes to the Article 23 Disclosures published to the Company's website on 23 June 2021.

Statement of the Alternative Investment Fund Manager's Remuneration Code

The Company is classified as an Alternative Investment Fund (AIF) in accordance with the Alternative Investment Fund Managers Directive (AIFMD). Literacy Capital Asset Management LLP is authorised as an Alternative Investment Fund Manager (AIFM) for the purpose of managing the Company.

As an authorised AIFM, Literacy Capital Asset Management LLP must adhere to the AIFM Remuneration Code. The AIFM Remuneration Code contains a set of principles, which are designed to ensure that AIFMs reward their personnel in a way which promotes sound and effective risk management, which does not encourage risk-taking, which supports the objectives and strategy of any AIFs it manages, and which supports the alignment of interest between the AIFM, its personnel and any AIFs it manages (where this alignment extends to the AIF's investors).

Remuneration at Literacy Capital Asset Management LLP is straightforward. The Members are paid a fixed competitive priority profit share by Literacy Capital Asset Management LLP. At the end of each year, the performance of the Company and Members is reviewed by the Designated Members, in order to determine whether or not a discretionary bonus should be paid. All bonus decisions are agreed unanimously by the Designated Members.

Members have also been issued with warrants to subscribe for Ordinary Shares in the Company, as set out within the 'Share Capital' section on page 30.

The Designated Members are each also paid a fixed proportion of Literacy Capital Asset Management LLP's net profits. They consider that this is the best way to ensure that the Designated Members' interests are aligned with the interests of the Company's investors and fairly remunerated for their contribution. This alignment of interest is reinforced by the fact that Literacy Capital Asset Management LLP's Designated Members, Members and closely associated family members own more than 50% of the Company's ordinary share capital. They have a clear and direct interest in the long term success of the Company. Designated Members have not and will not be issued with warrants to subscribe for Ordinary Shares in the Company.

Corporate Information

Directors
Paul Pindar
Richard Pindar (resigned on 27 March 2020; reappointed on 19 March 2021)
Kevin Dady
Simon Downing
Christopher Sellers
Rachel Murphy (appointed on 1 April 2021)

Registered Number
10976145

Registered Office
3rd Floor, Charles House
5-11 Regent Street St James's
London
SW1Y 4LR

Service Providers

Investment Manager
Literacy Capital Asset Management LLP

Company Secretary
Literacy Capital Asset Management LLP

Corporate Broker
Singer Capital Markets Securities Limited
One Bartholomew Lane
London
EC2N 2AX

Administrator
EPE Administration Limited
Audrey House
16-20 Ely Place
London
EC1N 6SN

Registrar
Link Market Services Limited
Central Square
10th Floor
29 Wellington Street
Leeds
LS1 4DL

Depositary
Indos Financial Limited
The Scalpel
18th Floor
52 Lime Street
London
EC3M 7AF

English Legal Adviser to the Company
Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Independent Auditor
Mazars LLP
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Bankers
Santander UK plc
2 Triton Square
Regent's Place
London
NW1 3AN

Shareholder Information

Key Dates

June	Report and financial statements for shortened financial period published and annual general meeting held
September	Company's half-year end
November	Half-yearly results announced
December	Company's usual year end resumes
March	Annual report and financial statements published

Frequency of NAV Publication
The Company's unaudited NAV is released to the London Stock Exchange on a quarterly basis, in January, April, July and October, typically within four weeks of the quarter end.

Annual and half-yearly report
Copies of the Company's Annual and Half-yearly Reports, stock exchange announcements and further information on the Company can be obtained from the Company's website www.literacycapital.com.

Identification codes

Admission to trading:	Specialist Fund Segment (SFS)
Ticker:	BOOK
ISIN:	GB00BMF1L080

Contacting the Company
Shareholder queries are welcomed by the Company. While any queries regarding your shareholding should be directed to the Registrar, shareholders who wish to raise any other matters with the Company may do so via the registered office of the company (see Corporate Information section on page 68).