LITERACY CAPITAL

Audited Report and Financial Statements for Literacy Capital plc

For the year ended 31 December 2023

Contents

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

Performance Highlights

Focus on helping to build great businesses to generate superior returns

- **NAV per ordinary share of 500.4p**[1]
  - Net assets of **£300.3m**[1], an increase of **19.0%** after all costs and expenses (including charitable donations), in the twelve months to 31 December 2023
  - Book's share price increased **30.4%** over the same period

- **Significant step up in cash realised in 2023, driven by a maturing portfolio and interest in Literacy's assets from acquirors**
  - **£46.3m** cash received in the twelve month period to 31 December 2023 (£13.1m in 2022[2])
  - The majority of this cash (£40.8m) was generated from the transactions involving Kernel Global and Butternut Box. These transactions both completed at **significant premiums** to Literacy's carrying value of these assets (49% and 54% premiums respectively)

- **Continued focus on deploying capital into new investments and existing portfolio companies, as well as building a pipeline of new opportunities**
  - **Two new platform investments** completed in 2023, with follow-on capital provided to several portfolio companies to support and accelerate their growth
  - **£33.6m cash invested** in aggregate in 2023, an increase of 25.4% compared to calendar year 2022, providing potential for uplifts in future periods

- **The fund and its portfolio is favourably positioned at the end of 2023. This is despite more challenging UK macroeconomic conditions (particularly in H2 2023), with Literacy's companies modestly leveraged**
  - Following the sale of Literacy's stake in Butternut Box, almost 100% of NAV is now weighted towards the buyouts of profitable businesses, rather than earlier stage, more risky investments
  - On 31 December 2023, the average EV / EBITDA multiple was 9.4x and net senior debt / EBITDA was 1.6x (both calculated on a weighted average basis for Literacy's ten largest investments[3], which comprise 86.5%[3] of NAV)

- **Increasing charitable donations, helping disadvantaged children across the UK get a fair chance**
  - A further £2.8m of charitable donations provided for in 2023 (£2.3m in 2022), a year-on-year increase in line with NAV growth
  - Total donations now **exceed £8.5m** since inception of Literacy Capital

Performance to 31 December 2023

% total return	3 months	1 year	3 years	Since Inception[4]
BOOK Net asset value[1]	**+1.6%**	**+19.0%**	**+250.5%**	**+456.0%**
BOOK Share Price	**(5.4)%**	**+30.4%**	**n/a[5]**	**n/a[5]**
FTSE All-Share Closed End Investment Trust Index	+8.3%	+4.9%	(1.2)%	+37.2%
FTSE All-Share Index	+3.2%	+7.9%	+28.1%	+25.8%

[1] The figures presented here are the diluted NAV and NAV per share. The calculation is shown within 'Alternative Performance Measures', page 75
[2] 2022 comprised a three-month period to 31 March 2022 and a nine-month period to 31 December 2022
[3] Excluding Antler Homes which is valued using a Total Gross Asset Value multiple rather than an EV/EBITDA multiple
[4] Inception date is April 2018
[5] BOOK's shares were admitted for trading on the London Stock Exchange in June 2021. Share price data therefore starts at this point

Comparison to prior periods

	At 31 December 2023	At 31 December 2022
Net asset value	£300.3m[1]	£252.4m
NAV per ordinary share[1]	500.4p[1]	420.6p

	12 months to 31 December 2023	12 months to 31 December 2022[2]
Capital invested	£33.6m	£26.8m
Cash realised	£46.3m	£13.1m
Charitable donation provision	£2.8m	£2.3m

[1] The figures presented here are the diluted NAV and NAV per share. The calculation is shown within 'Alternative Performance Measures', page 75

[2] 2022 comprised a three-month and nine-month accounting period, which have been combined here for comparability

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.

Comment from the Investment Manager

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

"Overall, we are pleased with the performance of BOOK's portfolio during this financial year. Following extremely strong years in 2021 and 2022 (NAV growth of +94.1% and +51.7% respectively), it has been challenging to repeat this level of performance in 2023 (+19.0%), as weaker UK macroeconomic conditions have impacted the fortunes and growth of certain portfolio companies.

2023 marked the first occasion where we were able to complete a significant sale of an earlier Literacy Capital investment. Having set up the fund in September 2017 as an unlisted investment company, naturally some time, patience and hard work was required before this milestone could be achieved. In fact, we were able to achieve this twice.

Firstly, we completed the sale of Kernel Global in March, followed by the sale of Literacy's stake in Butternut Box, which was finalised in August. We are delighted by the progress both companies achieved during our time as shareholders and are grateful for the relationship we had with the founders during this journey. In both cases, Literacy enjoyed approximately a 10x return on its investment and a premium at exit of 50% to carrying value.

We continue to explore several new investment opportunities and we strive to retain the same discipline when appraising these. As Literacy's unique approach and alternative structure compared to traditional private equity is better understood by founders, we expect to continue to see a good volume of opportunities. This allows us to remain highly selective about the businesses and people we choose to work with.

Finally, it is worth repeating a message we have delivered several times before. The individuals that run BOOK's investment manager have strong financial alignment with the fund's shareholders and our focus remains on generating the best net returns possible for shareholders. The management fee is low and no performance fees are paid by the Trust to its Manager, which is virtually unheard of within private equity.

As the late Charlie Munger, the former vice-chairman of Berkshire Hathaway and business partner to Warren Buffet said, “Show me the incentives, and I’ll show you the outcome”. It is not in the financial interest of the Investment Manager for BOOK to build AUM through issuing more shares or holding on to excess cash; two activities which can dilute returns for shareholders. Indeed, we and the Board are very prepared to return capital to shareholders, when it is appropriate and prudent to do so for BOOK. It is for this reason that a B share scheme to allow for the return of capital to shareholders will be announced soon and put to a vote at the AGM in May 2024.”

Enquiries

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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 assist in building great companies over the long-term, that create opportunities and jobs for their communities, as well as considerable value for shareholders;
- To achieve strong returns for shareholders through long-term capital growth from 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 18).

During the year, these three objectives were met successfully. The progress and performance across BOOK's underlying portfolio companies was largely positive, with noteworthy performance from several companies. Again, RCI delivered the strongest uplift, with important contributions also from Kernel Global and Butternut Box, which were both sold in the year.

The total headcount of Literacy's ten largest portfolio companies was 3,616 at the end of 2023. Whilst this was only slightly higher than the 3,520 reported a year earlier, this is not representative of the numbers of roles created. The modest increase was primarily due to Literacy selling a majority of its stake in Kernel Global and its entire stake in Butternut Box. Both companies had become relatively large employers and neither appeared in BOOK's top ten holdings at the end of 2023, as a result of these transactions.

In the year under review, the net asset value (NAV) of the Company increased from £252.4 million[1] to £300.3 million[1], a rise of 19.0%. In terms of shareholder returns in 2023, the share price increased 30.4%, making BOOK one of the strongest performing listed investment companies in the UK.

In terms of the final objective, the Company provided for further charitable donations of £2.8 million in 2023. The level of donations to charity have grown substantially since Literacy was formed and will continue to rise in line with NAV. Literacy is very proud of the positive impact and contribution that it is able to make in improving the chances and opportunities available to disadvantaged children across the UK, as well as the benefits brought to society and communities through these improvements to individuals' education.

Investment Objective

The Company's principal activity is to invest in and support small, growing, 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 the Additional Information Section.

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 and the FTSE All-Share Index ("the Indexes") as comparators to monitor performance. The composition of the Index has no influence on investment decisions. The Indexes represents the performance of Investment Trusts from the FTSE UK Index Series, as well as the broader performance of listed FTSE companies. The Investment Trusts may operate and invest similarly to Literacy Capital plc. These Indexes comprise listed companies that BOOK's shareholders might also or otherwise invest in. As a result, the Investment Manager has deemed these to be the best comparators for the Company.

[1] The NAV presented here is the diluted NAV. The calculation is shown within 'Alternative Performance Measures', page 75

Chairman's Statement

Literacy Capital has three core objectives. First and foremost, we want to build significant value for our shareholders. Our means to achieve this – and our second objective – is to work collegiately with our management teams to build successful, growing and enduring companies in the UK. And our third objective is to look beyond simply making money; and to use our financial success to facilitate our charitable mission to help disadvantaged children in the UK learn to read. On all three measures, 2023 has been an excellent year. I will comment on the three objectives in turn.

Shareholder value:

Over the 12 months to 31 December 2023, our NAV per ordinary share has grown from 420.6p[1] to 500.4p[1] an increase of 19%. Over the same period, our share price rose from 368p to 480p, an increase of 30.4%. This compares to an increase of 4.9% in the FTSE All-Share Closed End Investment Trust Index.

But fundamentally, Literacy Capital is set up to invest with a long term time horizon and accordingly we like to be judged over longer periods. Over the last three years, Literacy Capital's NAV return has been 250%[1]. This is more than double any other company in the private equity fund sector and compares to the sector average of 56.7%. Over the same period, the FTSE All-Share Closed End Investment Trust Index investment company index was down 1.2%.

Building great companies:

We strive to invest in fundamentally sound businesses – but where there is work required to improve them. Our contribution includes building and strengthening management teams, supporting expansion through M&A and frequently acting as advisers and mentors to our management colleagues.

Today, we have 17 businesses in our portfolio and we are fortunate to have many talented and committed management teams. Most of our businesses are thriving – and to illustrate this, our 10 most valuable investments demonstrated 23% year on year sales growth and these 10 companies have seen headcount grow by 140 to 3,616 people over the last year.

However, macro conditions in the second half of 2023 were more challenging which affected customer demand in a minority of our businesses. In these cases, we have supported management and invested aggressively in building sales and we are confident that these companies will rebound strongly in 2024.

We have enjoyed good success in professionalising and growing the companies in our portfolio. As a result, many are increasingly attractive to potential acquirers. In 2023, we sold two investments. In both cases, we achieved a return of approximately 10x the capital we invested and in both cases we achieved a value that was at a circa 50% premium to our previously disclosed valuation. We believe this illustrates that our investment thesis is compelling and premiums to carrying value have been achieved on recent sales.

Our charitable activities:

Our fund is called Literacy Capital because we want to help every disadvantaged child in the UK to learn to read. Every year, we donate 0.9% of NAV to literacy charities in the UK. Total donations since the creation of Literacy Capital in September 2017 now stand at nearly £8.5m.

But we do not want to simply give money. We also want to have direct influence to ensure shareholders get the maximum impact for the money donated. Our key delivery partner is Bookmark Reading and uniquely, they share the same office with Literacy Capital. There is a symbiotic relationship where both organisations add value to the other.

[1] The 31.12.2023 NAV used in this calculation is the diluted NAV. The calculation is shown within 'Alternative Performance Measures', page 75. The 31.12.2020 NAV has certain deferred tax liabilities added back due to the Company obtaining Investment Trust Status. If the liabilities were not added back the NAV return over three years would be 253%.

Bookmark Reading is efficient, effective and impactful. In the academic year to 31 August 2023, Bookmark delivered 40,100 reading sessions, 3,288 reading programmes, supported 157 partner schools and directly supported nearly 2,000 disadvantaged children. This is just one element of a wider portfolio of support that Bookmark provides to schools across the UK.

Finally, I turn to our prospects. We have a portfolio of fine companies, led by talented people. We are also pursuing some high-quality opportunities to add to this portfolio. Our existing portfolio is maturing – and inevitably a number of our companies are attracting close attention from potential suitors. Accordingly, it is likely that shareholders will see more investments realised this year. We view the prospects of further growth in NAV during 2024 with confidence.

Paul Pindar
Chairman
Literacy Capital plc
20 March 2024

Investment Manager's Report

BOOK Performance Highlights For The Twelve-Month Period

500.4p NAV per ord. share[1] (31 Dec 22: 420.6p[2])	**£300.3m** £m NAV[1] (31 Dec 22: £252.4m[2])
£33.6m Capital invested (12 months to 31 Dec 22: £26.8m)	**£46.3m** Cash realised (12 months to 31 Dec 22: £13.1m)
+30.4% Shareholder total return (since 31 Dec 22)	**£2,759k** Charitable donation provision (12 months to 31 Dec 22: £2,314k)

[1] The figures presented here are the diluted NAV and NAV per share. The calculation is shown within 'Alternative Performance Measures', page 75.
[2] During 2022, Literacy Capital had two accounting periods; a three-month period to 31 March 2022 and a nine-month period to 31 December 2022. NAV figures at 31 December 2023 are compared to the prior accounting reference date of 31 December 2022, whereas cash flow figures are compared to the same period a year earlier.

BOOK Performance Overview

We are pleased with BOOK's performance during the twelve-month period to 31 December 2023. Net asset value (NAV) closed the period at £300.3 million[1], or 500.4p[1] per share, an increase of 19.0% in the twelve-months since 31 December 2022. The performance of BOOK's direct investments and fund interests in the year was generally good. The vast majority of portfolio companies contributed positively, as well as all four fund interests.

RCI Group was again the outstanding performer in the period, adding £33.5 million to NAV in 2023. This is a return of 50% on its carrying value at the beginning of 2023. This uplift in just twelve months is worth 10x the amount of capital that BOOK invested in RCI.

Kernel Global and Butternut Box also made important contributions to NAV in the year. Not only did they contribute to uplifts, their sales also resulted in record cash inflows for BOOK. This is important to validate Literacy's model but also to enable it to fund new investments.

Less positively, Techpoint was the largest detractor in the twelve-month period, knocking NAV by £11.7 million (a 33.6% reduction on its 2022 closing carrying value). It had generated the second largest positive contribution in 2022 (having added £26.0 million) but this unwound as the tailwinds it had been experiencing post-Covid dissipated.

In the year to 31 December 2023, BOOK's NAV (+19.0%) and share price performance (+30.4%) again outpaced the share price performance of its benchmark indices. The FTSE All-Share Closed End Investment Trust Index and FTSE All-Share indices achieved +4.9% and +7.9% respectively over the twelve months.

BOOK has continued to make progress in building awareness in the trust from investors. It listed on the London Stock Exchange in June 2021, with relatively little attention, given no capital was being raised. Since then, as scale has been built (with net assets growing from less than £100 million upon listing to more than £300 million at the end of 2023), interest and trading in BOOK's shares has grown as more investors have become aware of the returns it has generated for shareholders and its track record.

Breakdown of Net Asset Value at 31 December 2023

Companies / assets	Date of Investment	Carrying value[1]	% of NAV[1]
RCI Group Provider of healthcare, specialist clinical and support services	Sep 18	£100.9m	33.6%
Grayce Recruits, trains and deploys graduates into large corporates	Jul 18	£47.8m	15.9%
Techpoint Outsourced supply chain management of electronic components	Jun 20	£24.8m	8.3%
Oxygen Activeplay Operator of trampoline and adventure parks	Jun 21	£23.6m	7.9%
Antler Homes Housebuilder in the Southeast of England	Jun 18	£17.6m	5.9%
Top 5 investments		**£214.8m**	**71.6%**
Cubo Work Provider of office and co-working space	May 23	£16.7m	5.6%
Wifinity Wi-fi provider to hard-to-reach campus locations	Dec 17	£13.7m	4.6%
Halsbury Travel School travel operator	Jun 22	£12.8m	4.3%
Hanmere Manufacturer of polythene packaging products	Dec 17	£10.0m	3.3%
Tyrefix Emergency plant tyre repair and replacement services	Nov 20	£9.3m	3.1%
Top 10 investments		**£277.2m**	**92.3%**
Other direct investments		£23.6m	7.9%
Private equity fund interests		£14.3m	4.8%
Borrowings (inclusive of donation provision & other working capital items)		(£14.9)m	(5.0)%
Net asset value		**£300.3m[2]**	**100.0%**

[1] All figures have been rounded to one decimal place, therefore the subtotals in the table may not sum internally

[2] The NAV presented here is the diluted NAV. The calculation is shown within 'Alternative Performance Measures', page 75

Portfolio Company Overview

The majority of portfolio companies continued to grow nicely in 2023 and contributed positively. Recent trading performance in some companies was impacted by weaker macroeconomic conditions, particularly in the second half of 2023. The revenue growth figures for the top ten companies published twelve months earlier were at all-time highs, following very strong periods of trading in 2021 and 2022. This strong comparison period made it more difficult to sustain and repeat this rapid rate of growth.

Despite this, growth in proforma revenue year-on-year at the end of 2023 across BOOK's top ten investments (on a weighted average basis) was 23%. We view this performance as creditable given the circumstances, especially with elevated trading post-Covid in some sectors unwinding in the period. Techpoint was one portfolio company, which benefited from inflated demand in 2022, and was the third largest holding at the end of 2022 and 2023. Given the size of its weighting, this slowdown had a negative impact on the overall growth rate reported.

The private equity fund interests that BOOK has performed relatively well in the year, returning more than 15% in 2023. We expect to receive more than 20% of their year-end net asset value in cash from these interests in the next few months, based on known sales that are awaiting regulatory approval prior to completion. Aside from inflows from fund interests, we expect to generate material sums of cash from direct investments in 2024 too.

Top Five Investments

BOOK's portfolio remains relatively highly concentrated, with the top five investments equating to 71.6% of net assets at the close of 2023. This is a slight reduction to the 76.0% recorded for the equivalent figure a year earlier. The value of the ten largest investments equates to 92.3% (down from 94.8% a year earlier). RCI remains BOOK's largest asset and continues to outperform strongly; its share of NAV rose from 26.6% to 33.6% in the last twelve months, driven by strong performance and returning no cash in the year.

The Investment Manager remains comfortable with having a concentrated portfolio, given the high degree of knowledge, involvement and control that it has over the assets. This involves receiving a significant amount of management information on a frequent basis, which provides important insight regarding current trading and performance of the companies. This also extends to being able to influence and select the key members of management in these companies, with several changes and additions being made in 2023.

Many of the larger investments comprise a high proportion of net assets due to the strength of their trading and growth. This has been the reason for the uplifts in their valuation and the concentration that exists in the portfolio, rather than BOOK committing disproportionately large amounts of capital to these investments. We are pleased to have significant exposure to strongly performing companies and are happy to run winners, rather than selling assets prematurely. This high degree of exposure to rapidly growing businesses has contributed to BOOK's outperformance since its listing and gives us confidence that this can continue in future periods.

Often companies that BOOK invests in require a period of investment or transition, before their rate of growth accelerates and value can be built. As a result, meaningful NAV uplifts tend to be generated as time passes and assets mature. This can be seen with BOOK's largest holdings being dominated by investments completed several years earlier, with more recent investments requiring time before they develop to the same extent. We are confident that the older investments can continue to contribute strongly (as demonstrated by RCI's strong contribution again in 2023), whilst newer investments are well-placed to follow a similar path.

Company	Date of Investment	31 Dec 2023 carrying value	31 Dec 2023 % of NAV	Total cash realised	Carrying value + cash realised	Net return generated since 31 Dec 2022
RCI Group	Sep 18	£100.9m	33.6%	£3.4m	£104.3m	£33.5m
Grayce	Jul 18	£47.8m	15.9%	£9.9m	£57.8m	(£3.9m)
Techpoint	Jun 20	£24.8m	8.3%	£0.0m	£24.9m	(£11.7m)
Oxygen	Jul 21	£23.6m	7.9%	-	£23.6m	£3.6m
Antler Homes	Jun 18	£17.6m	5.9%	-	£17.6m	£2.1m

RCI Group - www.rcigroup.co.uk

RCI Group is primarily a provider of services within criminal and family justice, forensic healthcare, and data and technology. The group provides its specialist services to the police, NHS, custodial settings and the courts.

BOOK's original investment in September 2018 enabled two of the four founders to retire, whilst providing the support that the remaining founders needed to ease this transition. A new CEO and CFO joined the business around completion of the transaction, and were joined soon afterwards by a new Business Development Director and COO, to create a strong team and platform for growth. This also meant the business could consider acquisitions for the first time.

Since December 2019, the group has completed four acquisitions. Prometheus, a provider of secure patient transport and observation services to NHS Trusts, private hospitals and police forces, was the most recent addition. This transaction was completed in December 2022 and adds a further complementary offering to RCI Group.

In 2023, RCI Group has continued to invest in its senior team to ensure the bandwidth and strength necessary for continued growth is in place. This included a new Chief Commercial Officer and Chief Growth Officer. The business has continued to trade well and is slightly ahead of its budget in its current financial year. Value and insights available to clients have also improved following greater investment in data analytics and technology.

Grayce - www.grayce.co.uk

Grayce partners with some of the world's most ambitious organisations to help deliver change and transformation. With over a decade's experience developing and deploying high-performing talent, Grayce delivers a low-risk and scalable solution and enables long-term capability build.

The business had been founded by a husband-and-wife team, who created the model and established the brand over the first six years. By 2018, they were looking for an investment partner that would support the scaling of Grayce, including investments in business systems, and the introductions of an experienced executive team. Over the past five years, we have introduced an Executive Chair, a Chief Finance Officer, and most recently a Chief Revenue Officer from within our network. We believe this new structure means the business is well-placed to continue scaling.

The strength of trading and growth in 2023 was impacted by both internal and external factors. As a result of additions to the senior team and Sales team, as well as fewer headwinds in 2024, we expect to see strong performance and uplifts.

Techpoint - www.techpoint.co.uk

Techpoint Group is a group of companies, which provides outsourced supply chain management of electronic components for manufacturing businesses.

Vanilla Electronics was founded in 2002 by a father-and-son team, with Literacy Capital's original investment being made into Vanilla in June 2020. The father was seeking to retire and sell his stake, while the son, Dan, wanted to de-risk but also find an ambitious partner to assist him in growing the business. Since 2020, the group has rebranded as Techpoint and built a broader, talented management team. Dan and this team have since completed three acquisitions. The most recent of these was the acquisition of Golledge, a leading global supplier of frequency components, in May 2022.

Techpoint traded very strongly in 2022, with demand at elevated levels as restrictions post-Covid eased and supply chains were tight. Manufacturers were ordering additional inventory to ensure that they had the parts they needed to keep their production lines running. Unfortunately, Techpoint saw much of this demand and these excess orders unwind in 2023, as manufacturers sought to reduce the surplus stock they had built up, as supply chains and the availability of parts became less acute.

Oxygen Activeplay - www.oxygenfreejumping.co.uk

Oxygen is an operator of indoor trampoline and activity parks, which provides fun physical activities and parties to toddlers and children. The activities include trampolines, climbing walls, high ropes and soft play, as well as café areas, plus lounges for parents.

Literacy's investment in July 2021 was to re-capitalise and invest in the business following its re-opening after the pandemic induced closures in 2020 and the early part of 2021. When Literacy invested, Oxygen had four sites, with the investment being used to enhance the offering at Oxygen's existing sites, plus open or acquire new ones.

The central team has been expanded and strengthened to manage the growth initiatives across the business. These are focused on opening new sites, improving the existing ones and driving like-for-like sales growth (which has been strong in 2023). The number of sites across the UK grew to 12 by the end of 2023, with an additional new site opening in February 2024. By the end of 2024, its expected that all Oxygen sites will have been refurbished with the latest customer proposition.

Antler Homes - www.antlerhomes.co.uk

Antler Homes is a housebuilder with a well-regarded brand name and a longstanding reputation for building high-quality homes within the London commuter belt. The business was set up 50 years ago by its founder, who by 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 original investment in June 2018, Antler's team has been refreshed and built-up to support the step up in output and activity. Headcount increased from eight to 48 by the end of 2023. Despite obvious difficulties in the UK housing market in 2023, revenue was ahead of 2022; albeit margins were below budget and the prior year due to inflation, material & supplies shortages affecting the sector. The team continued to make good progress building its land bank and pipeline, with the number of units in its pipeline increasing more than 40% compared to a year earlier.

Movement in the Portfolio

The following table shows the movement in the portfolio during the twelve-month reporting period, compared to the same period a year earlier. Though 2022 comprised a three-month and a nine-month accounting period, the corresponding twelve-months in 2022 have been used here for comparability:

£m[1]	12 months to 31 Dec 2023	12 months to 31 Dec 2022
Opening Investments	**270.6**	**163.6**
Direct investments	32.8	24.9
Fund drawdowns	0.8	1.9
Total new investments	**33.6**	**26.8**
Proceeds from direct investments	(45.0)	(12.1)
Proceeds from fund investments	(1.2)	(1.0)
Cash proceeds received[2]	**(46.3)**	**(13.1)**
Change in deferred consideration owed	0.9	0.60
Return on investments	**56.3**	**92.6**
Closing Investments	**315.1**	**270.6**
Valuation Movement % (of Opening Investments)	*20.8%*	*56.6%*

The following table shows the movement in the portfolio during the nine-months from April to December 2023, compared to the prior financial period of nine months from April to December 2022.

£m[1]	9 months to 31 December 2023	9 months to 31 Dec 2022
Opening Investments	**283.9**	**191.2**
Direct investments	28.5	18.6
Fund drawdowns	0.8	1.7
Total new investments	**29.2**	**20.3**
Proceeds from direct investments	(24.2)	(6.4)
Proceeds from fund investments	(1.1)	(0.9)
Cash proceeds received[2]	**(25.2)**	**(7.3)**
Change in deferred consideration owed	0.9	0.6
Return on investments	**26.3**	**65.7**
Closing Investments	**315.1**	**270.6**
Valuation Movement % (of Opening Investments)	*9.3%*	*34.4%*

[1] All figures have been rounded to one decimal place

[2] Per the cash flow statement on page 53, the total of income from investments and proceeds from disposal of investments

New Investments

In 2023, £33.6 million was invested by BOOK, an increase of approximately 25% compared to the prior calendar year. £9.9 million of this was invested at completion into the two new investments (Cadro and Cubo) completed in the period. £22.9 million was provided as follow-on funding to existing portfolio companies, to support their growth or acquire more equity, whilst the final £0.8 million was further investment into third party funds.

In April 2023, BOOK announced a minority investment in Cadro, a technology-enabled wealth and investment management business. The business was founded by two experienced wealth management professionals, who sought to create something to deliver better outcomes and service to customers. A new Chairman joined the business before the end of 2023.

In May 2023, Literacy Capital completed a significant investment into Cubo, a leading high-end flexible office provider. Similar to Cadro, this was also a minority investment for BOOK. At the point that Literacy invested, Cubo had five sites and the investment was to give the business access to more capital, supporting the founder to expand the business more quickly.

Several bolt-on acquisitions were completed in the period on behalf of BOOK portfolio companies, including Tyrefix and Halsbury Travel.

The amount invested into third-party private equity funds declined, for a third consecutive year, to £0.8 million (£1.9 million in the prior twelve month period). This was due to the majority of the funds that BOOK made commitments to are no longer actively investing given their (2017 and 2018) vintage and maturity.

Literacy's investment focus remains on founder-owned or led businesses. These shareholders are often seeking responsible and experienced investors that can help them to elegantly transition away from their businesses, both financially and managerially, or to support them accelerate the growth of their businesses with them at the helm. Literacy, with its more flexible approach and structure, is seen as an attractive option to help these business owners and entrepreneurs to do this, with a growing track record across many sectors of achieving this successfully and sensitively. The pipeline of new investment opportunities in early 2024 is encouraging.

Realisation Activity

2023 was a record year for cash inflows generated by the portfolio, with £46.3 million received in the year (compared to £13.1 million in 2022).

Almost £41 million (almost 90% of all cash inflows in the year) was generated from the sale transactions involving Kernel Global and Butternut Box. Both of these investments were originally completed in 2018, with these businesses maturing and growing very strongly whilst Literacy was a shareholder. We were happy to accommodate the wishes of the founders who were keen to pursue these transactions for their companies. In addition to these two portfolio companies, £5.4 million was received in the year from refinancings and dividends from companies that BOOK continues to own, or funds that it has invested into. Investment income reported in the financial statements was substantially ahead of the prior twelve months, owing to dividends received from Grayce.

As expected, cash received by BOOK from its third-party fund investments increased in 2023 versus 2022, with proceeds of £1.2 million, compared to £1.0 million a year earlier. Based on known M&A activity, as well as the vintage of some of BOOK's fund interests, it is expected that cash proceeds from these funds will increase again in 2024. This cash will be used to pay down debt or be recycled into new investments opportunities.

Given the closed-ended structure that Literacy has and the absence of carried interest for its managers, a decision to sell an investment can be made on the basis of what and when is best for the company and its management teams, rather than these time horizons being dictated by the fund's structure or the financial interests of its manager. Given their substantial shareholdings, the financial interests of BOOK's managers are aligned with BOOK's shareholders.

Balance Sheet and Financing

BOOK's total drawings under its Revolving Credit Facility ("RCF") with Investec Bank plc stood at £9.4 million on 31 December 2023, which equates to 3.1% of net assets. The facility limit was increased in the period by £5 million, taking this to £30 million, which gives Literacy greater flexibility to fund new investments and support its existing portfolio companies. This facility also allows BOOK to remain more fully invested and improve returns for shareholders.

Cash proceeds received by BOOK are expected to increase in the coming quarters, allowing the Company to fund further investments or reduce the amounts drawn under its RCF.

£m[1]	31 December 2023	31 December 2022
Investments	£315.1m	£270.6m
Cash	£0.3m	£1.5m
Donation Provision	£(3.3)m	£(2.3)m
Other working capital	£(2.4)m	£(1.1)m
Borrowings	£(9.4)m	£(15.9)m
Accrued interest on borrowings	£(0.1)m	£(0.5)m
Net assets	**£300.3m[2]**	**£252.4m[2]**

[1] All figures have been rounded to one decimal place
[2] The NAV presented here is the diluted NAV. The calculation is shown within 'Alternative Performance Measures', page 75

Undrawn Fund Commitments by Currency Exposure

The table below shows outstanding obligations to BOOK's four fund commitments has been gradually reducing. The figure on 31 December 2023 amounted to £2.5 million, however we expect little more than half of this to be called, given the age and pattern of drawing by these funds.

Regardless of whether the full £2.5 million is called or not, BOOK can comfortably fund these drawdowns from existing reserves and headroom in its RCF.

£m[1]	31 December 2023	31 December 2022
Sterling	£0.1m	£0.3m
Euro[2]	£1.4m	£2.1m
US Dollar[2]	£0.9m	£1.0m
Total	**£2.5m**	**£3.4m**

[1] All figures have been rounded to one decimal place
[2] Foreign currencies were converted to GBP at the prevailing rates on the reporting date

Activity Since the Period End

BOOK has not made any new platform investment since the period end. Since 31 December 2023, the Company made £3.5m of incremental investments into six existing portfolio companies. Further investment into five of the portfolio companies was to provide additional funding to support the businesses' growth plans, whilst the sixth investment was to acquire additional equity in the business. These are all non-adjusting events at 31.12.2023.

Outlook

We remain confident that BOOK's portfolio is well-positioned to make continued progress in 2024 and future years. Whilst some companies are experiencing reduced growth or trading pressures, primarily as a result of relatively weak economic growth in the UK, there are grounds for optimism.

Whilst some portfolio companies found trading less straightforward in 2023, action has been taken in many cases in an effort to improve their prospects. This has often consisted of making additional senior hires or investing more into Sales to boost organic growth. Many of BOOK's largest portfolio companies have strengthened their senior management teams in recent months and we look forward to seeing the impact that this has on their fortunes.

We recognise that some portfolio companies may continue to experience challenges in 2024 but Literacy's businesses typically are well-capitalised, well supported by Literacy Capital (and their other shareholders), and those companies that are affected have flexibility to weather tricky periods.

As a result of several of BOOK's portfolio companies maturing since receiving investment and gaining greater scale, several are becoming more attractive to an expanding group of potential acquirors and receiving consistent inbound interest. As a result, it is expected that more portfolio companies will be sold in the next twelve months, generating cash proceeds for Literacy.

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 twelve months to 31 December 2023, the further provision for donations to charities focused on improving literacy amounted to £2.8 million.

Since the creation of Literacy Capital in 2017, more than £8.5 million 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. The table below shows the growth in donations for each calendar year:

Annual charitable donation provision (£k)	
2018	£532k
2019	£621k
2020	£772k
2021	£1,527k
2022	£2,314k
2023	£2,759k
Total charitable donation provision	**£8,525k**

Bookmark Reading Charity remains Literacy Capital's largest partner as the charity grows to tackle the need at the scale required to change children's life stories through the joy of reading. In a world where one in four children leave primary school with poor reading skills, Bookmark partners with schools in areas of high deprivation to provide vital one-to-one reading support to their pupils aged 5-10, along with high quality books, resources and grants that help teachers to develop vibrant, long-term whole-school reading cultures.

Having experienced significant growth in response to the increasing demand, Bookmark volunteers are now reading one-to-one with children across 157 schools. Last year (2022-23) the charity also delivered over 330,000 books and resources to children in areas of high deprivation. The impact of Bookmark's vital support is clear. Last year, 80% of teachers noticed an increase in the reading skills of children on the Bookmark programme, 95% noticed an increase in reading confidence, and 80% noticed an increase in motivation to read.

Alongside Bookmark, Literacy Capital has supported more, incredible literacy charities this year. In 2023, Literacy Capital also supported:

- Literacy Volunteers – Literacy Volunteers are an independent primary school reading volunteer scheme, which works to help overcome literacy challenges and develop children's communication and social skills within Nottinghamshire.

- Shannon Trust – Literacy Capital are in their second year of supporting Shannon Trust, as part of a three-year grant to reach more young people in prison and the development of resources like self-study activity books for young learners.

- Children's Book Project – The Children's Book Project seeks to tackle book poverty in the UK and give every child the opportunity to own a book. They provide new and pre-loved books to children across the country and help to support the emotional and social needs of children by being part of a reading community.

Why Literacy?

Poor literacy continues to have a profound impact on the daily lives of an estimated 7.1 million adults (or 16.4% of the total population) in England who struggle to read. This issue has far-reaching implications that severely hinder social mobility and leave individuals more susceptible to experiencing poverty, unemployment, poor health and has even been linked to shorter life expectancy. For instance;

- Too many children leave primary school with poor reading skills, and this directly contributes to poor educational attainment, lower literacy in adulthood and even lower life expectancy (National Literacy Trust, 2022).

- The number of 7-year-olds with poor reading skills has doubled since the pandemic. (National Foundation for Educational Research, 2023).

- Adults with poor literacy skills are more likely to be locked out of the job market and, as a parent, they won't be able to support their child's learning (National Literacy Trust, 2024).

- 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 (Centre for Education and Youth).

Addressing poor literacy skills serves to enhance results across social inclusion, economic progress and the cultivation of an educational environment that fosters future opportunities. By investing in literacy, we invest in a brighter future by providing children with the reading confidence and skills needed for a fair chance in life.

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 26.

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 its Investment Manager, Book Asset Management LLP ("BAM"). BAM is a Full Scope UK AIFM and was appointed the Company's Investment Manager on 1 April 2020. The scope of BAM's work was agreed with the Company's Directors prior to its appointment.

BAM 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 BAM's management team have significant, relevant expertise and where the team believe the greatest returns for shareholders can be generated. In turn, strong investment returns will help to deliver substantial and increasing annual donations to children's literacy charities.

Principal business risks and uncertainties

The Board of Directors and Investment Manager have carried out a robust assessment of the risks which could adversely affect the performance of BOOK, as well as continuing to identify and monitor emerging risks. The principal risks and uncertainties facing the Company are set out below.

Investment Performance: The Company's investments are predominantly in small, unquoted companies. By their nature, these entail a higher level of risk than investments in large, quoted companies. The investment selection and management of the investee companies is key to the performance and long-term prospects of the Company. Mitigation: The Investment Manager has a strong track record of investing in private businesses, with two exits in 2023 each delivering approximately 10x return on invested capital. Risk is managed by closely monitoring individual holdings by maintaining good relationships with the management teams, as well as receiving frequent management information. The Board reviews the performance of the portfolio on a quarterly basis.

Liquidity: Most of the Company's investments involve a medium to long term commitment and are relatively illiquid. There is a risk that the Company could exhaust its available cash reserves, meaning it would be unable to meet its financial obligations. Conversely, holding substantial amounts of cash in the Company could result in slower NAV growth. Mitigation: The Company seeks to ensure the availability of cash reserves to match the forecast outflows of the Company. The majority of the Company's investments are also direct investments, meaning its Investment Manager has the discretion to commit capital to these businesses or not, rather than having outstanding commitments to third party funds. If required, the Investment Manger may also refinance certain portfolio investments if required to generate cash for the Company. The Company is also able to draw on its £30m committed Revolving Credit Facility, which had more than £20 million available to draw on 31 December 2023. The Revolving Credit Facility was entered into on a three-year term which expires in December 2024. The Investment Manager is currently considering its options to either extend or replace the facility in advance of its end date.

Economic: Economic changes outside of the Company's control, such as higher inflation or interest rates, or economic recession may squeeze consumers' spending and could affect the performance, profitability or valuation of its portfolio companies. These changes may also affect the portfolio companies' ability to access adequate financial resources, as well as affecting the Company's valuation multiples. These events could impact the amount of capital available for investment in private businesses in the UK, impacting their value. Any change is unlikely to have a significant impact on the Company, as less capital could lead to lower levels of competition and pricing when sourcing new investments. The same would apply vice versa. Mitigation: The Company invests in a diversified portfolio of investments, spanning many sectors and across different time periods. The Investment Manager prefers to use modest levels of leverage in portfolio companies, ensuring that they maintain sufficient liquidity and flexibility to invest in growth and fund their obligations. Portfolio company debt and liquidity levels are consistently monitored by the Board.

Tax: Changes to tax legislation could have an adverse financial impact on the Company. Literacy Capital plc received approval by HMRC as an investment trust from 1 April 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. While the Company does not expect this to occur, if investment trust status were to be lost, the vast majority of BOOK's capital profits would remain exempt from tax, due to the Substantial Shareholding Exemption that would be available on the sale of many of its assets. On 31 December 2023, it is estimated that approximately 93% of the portfolio's gross assets by value would be exempt from tax regardless of maintaining investment trust status. Mitigation: The Board of Directors monitors the Company's ongoing compliance with the requirements that must be met in order to maintain investment trust status.

Operational: BOOK uses third-party suppliers and is therefore exposed to operational risk. Disruption to the Investment Manager's, administrator's or any other third-party service provider's systems could result in the inability to produce timely and accurate reports on Literacy Capital or the underlying portfolio companies to the Board. Mitigation: The Investment Manager and administrator each have business continuity plans and separately, the depositary reports periodically on custody matters.

Discount volatility: Since BOOK's shares were admitted for trading on the London Stock Exchange in June 2021, they have for the most part traded at a premium, however at 31 December 2023, they were trading at a small discount (4.1%). There is a risk that BOOK's share price performance could continue to underperform its NAV performance, with its discount widening. This would result in reduced returns for existing shareholders. Mitigation: The Board of Directors and Investment Manager monitors the level of discount and the Company possesses the ability to buyback shares to counter any discount that persists. The Directors and Investment Manager are also aware that shares in BOOK are already relatively tightly held and liquidity in the Company's shares is required to attract institutional investors.

Geopolitical risks: Continued geopolitical uncertainty could adversely affect the Company and the markets in which its portfolio companies operate. Performance of the portfolio companies and their valuations may be affected, and general investment uncertainty could impact any potential exits. Mitigation: The Investment Manager continues to monitor geopolitical developments or issues that may be relevant to the Company or the underlying portfolio companies, and due diligence is conducted prior to completing all investments to understand the risks (and opportunities) that exist in each business. The Investment Manager also encourages and works with its portfolio companies to mitigate the risks that exist, particularly diversifying supply chains and client concentration.

Climate Change: We recognise the potential for business disruption caused by climate change and have assessed climate-related risks but have determined that this 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 All-Share Closed End Investment Trust Index and FTSE All-Share Index, details of which are shown under Performance Highlights on page 3.
- The portfolio return of the period, details of which are shown on page 3.

Going Concern

The Board has assessed the financial position and prospects of the Company over the next 12 months, whilst considering the Company's principal risks and uncertainties.

On 31 December 2023, Literacy Capital plc had cash reserves of £0.3 million (31 December 2022: £1.5 million), as well as access to its Revolving Credit Facility ("RCF"), committed by Investec Bank plc until December 2024. During the period, the limit of the RCF was increased by £5 million to £30 million. £9.4 million was drawn at the end of 2023, leaving a little over £20 million available. The Company has performed an assessment of its expected cash inflows and outflows for the period to 30 June 2025 and the total cash available to the Company is far in excess of its operating costs during this period (including both its charitable donations and any Investment Management fees), plus any commitments to the portfolio or fund commitments. The provision relating to outstanding charitable donations to be paid is £3.3 million. The Investment Manager is considering its options for its RCF beyond its expiry in December 2024, and the intention is for the Company to continue to have access to an RCF beyond December 2024 to ensure that it retains flexibility to manage its existing investments and complete new investments. In the very unlikely event that the RCF has to be repaid in December 2024 without a new facility arranged to replace it, BOOK would have had sufficient sight of this to take measures to return cash to itself to repay the facility.

The only material obligations that BOOK has relate to undrawn amounts to its four fund commitments, totalling £2.5m. However, £1.2m 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 Q4, giving BOOK good visibility over the timing and quantum of future capital calls. The vast majority of BOOK's portfolio is 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.

Literacy Capital received approval from HMRC as an investment trust on 1 April 2022. In order to continue as an investment trust, the Company must not retain more than 15% of its net annual income. The Board will continue to ensure that the business retains sufficient liquidity to pay any dividends that are required to be paid to shareholders. If a dividend needs to be paid, this will be paid out of cash income received by the Trust, so will be self-funding.

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 AIC's Code of Corporate Governance, the Board of Directors have carried out an assessment of 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. In determining the appropriate period of assessment, the Directors were of the view that, given the Company's objective of providing investors with long term capital growth, shareholders should consider the Company as a long-term investment proposition. The Board also 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, including those that would threaten its business model and future performance and has been made with reference to BOOK's current position, prospects and strategy as noted above in the Strategic Report. The assessment contained analysis on the impact of, amongst other things, an economic downturn, tighter debt markets and macroeconomic uncertainty. Assumptions within the assessment included a decrease in the value of the portfolio companies as well as a restriction in the availability of debt.

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, as they fall due 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 regard to the Modern Slavery Act 2015.

Section 172 and stakeholder reporting

The Directors principle duty is to act in good faith in a way that most likely promotes the success of the Company for the benefits of Shareholders as a whole, as set out in Section 172 of the Companies Act 2006 (the "CA 2006"). In doing so, the Directors take into consideration the different stakeholders of the Company. The following section sets out which stakeholders are considered of importance to the Company, and how the Board of Directors and Investment Manager engages with them.

Shareholders

The support of our shareholders is key to the continued success of the Company and the Board of Directors are committed to maintaining good communications with shareholders. The Investment Manager regularly meets major shareholders and the Board is pleased to receive any feedback.

Communicating regularly and clearly on the Company's performance can help keep the share price premium or the discount narrow which is a benefit to shareholders. The Board considers that maintaining a supportive shareholder base that is in interested in the long-term prospects of the Company is of strategic importance.

How the Board of Directors and Investment Manager engages: The Board is committed to giving investors a clear understanding of the performance and prospects of the Company and places a high degree of importance on engagement with existing and potential shareholders, as well as treating all investors fairly.

The Company produces a quarterly factsheet, containing net asset value performance and portfolio updates, typically four weeks after the end of the reporting period to provide relevant information on a timely basis, with fuller and more comprehensive information published in the annual and interim accounts. Information is made public simultaneously for all readers via the Company's website and on the London Stock Exchange's Regulatory News Service.

The AGM is an opportunity for shareholders to discuss matters with the Board of Directors. The Investment Manager has a share dealing policy in place to prevent insiders trading on information and the Company has provisions to assess fairness of director salaries to avoid the directors favouring themselves at the expense of external shareholders.

The Investment Manager

The Investment Manager's performance is critical for BOOK to achieve its objectives and provide shareholders with long term capital growth and, as such, the Board maintains a strong, collaborative relationship with the Manager.

How the Board of Directors and Investment Manager engages: The Board meets with the Investment Manager formally on four occasions each year. These formal meetings are supplemented with ongoing regular reporting by the Manager as well as ad hoc discussions on investment opportunities and other important matters. Annually, the Management Engagement Committee reviews the performance and continued appointment of the Manager.

Portfolio Companies

BOOK's investment strategy is to invest in compelling businesses and then help support the management teams set themselves up for growth. By continuing to gain 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 more easily identified, as well as helping in detecting and mitigating potential risks to the businesses.

How the Board of Directors and Investment Manager engages: The Investment Manager engages regularly with the portfolio companies and receives detailed monthly management accounts and board packs, which the Company's Board reviews once per quarter. There have been several occasions 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 who support the education of children (see page 18 for further information). By supporting the charities and working alongside them, the Company can ensure that the donations are being used as efficiently as possible.

How the Board of Directors and Investment Manager engages: 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.

Revolving Credit Facility Provider

The availability of the Company's Revolving Credit Facility is important to the company's long-term prospects as the Facility gives BOOK greater flexibility in funding investment opportunities as they arise.

How the Board of Directors and Investment Manager engages: The Investment Manager ensures that there is an ongoing dialogue with the lender, to keep them updated on the Company's progress and outlook. In addition, formal quarterly reporting provides the lender with further detailed information on the portfolio.

Other Service Providers

The Company has engaged with several service providers to fulfil operational or financial reporting matters. By ensuring the suppliers continue to be engaged and that each party understands the approach of the other, a common goal can be reached to ensure that the Company's ongoing obligations are met.

How the Board of Directors and Investment Manager engages: 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. Key providers for the Company include the Company's auditors, depositary, administration providers and the registrar.

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
20 March 2024

Board of Directors

Paul Pindar

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

Length of service: Appointed on 22 September 2017

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 has also served as Chairman of five private equity and venture capital backed businesses since 2014.

Paul is a member of the Company's Audit Committee. As Chairman of the Investment Manager, Book Asset Management LLP, Paul's role is focused on the Company and assisting its portfolio companies to 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 Book Asset Management LLP

Length of service: Appointed on 19 March 2021

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, Book Asset Management LLP, Richard's role is focused on the Company and assisting its portfolio companies to 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

Length of service: Appointed on 1 March 2018

Simon was the founder and Executive Chairman of Civica Group until 2024. He created the business in 2000 with backing from Alchemy Partners and since then the business has grown to over 6,000 employees and operates in ten countries. It is one of the largest specialist software companies in Europe and was valued at $2.5 billion following its most recent private equity transaction. Simon has been Chairman of three other technology businesses in the past seven years and is currently Chairman of Audiotonix Group, one of the world's largest music technology businesses. He is an active investor in software and is a Senior Adviser to Ardian Europe Private Equity.

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

Length of service: Appointed on 30 November 2017

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 it recently announced a sale worth £3 billion to private equity. 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.

Since year end, an announcement has been made that Kevin Dady has resigned from the Board of Directors, and will step down on 31 March 2024.

Christopher Sellers

Independent Non-Executive Director of Literacy Capital plc

Length of service: Appointed on 15 February 2019

Chris is currently Group CEO of RCI 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

Length of service: Appointed on 1 April 2021

Independent Non-Executive Director of Literacy Capital plc, Rachel is an independent consultant who works with public and private companies, providing corporate finance advice, training 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 period. As a Board of Directors, we are accountable to shareholders for the governance of Literacy Capital plc and are committed to maintaining the highest standard of corporate governance for the long-term success of the Company. We will also endeavour to present information, including accounting policies, in a manner that is fair, balanced and understandable.

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 (three since Kevin Dady's resignation), 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 manner. 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.

Since year end, Kevin Dady has resigned from the Board of Directors, and will step down on 31 March 2024.

There are a number of matters reserved for the Board's approval which include overall strategy, investment policy approval of the annual and half-yearly reports, dividend policy and Board composition. The Company has four scheduled Board meetings per calendar 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.

Each non-executive director is appointed by a letter of appointment on an ongoing basis and shareholders vote on whether to re-elect him/her at every Annual General Meeting. There is no limit to the time that a non-executive director can serve for, but the board recognises wider views in relation to length of service when considering whether or not directors should be re-elected.

In the twelve-month period to 31 December 2023 there were four scheduled Board meetings. The following table sets out how many were attended by each of the directors;

Director	Scheduled meetings attended
Paul Pindar	4/4
Richard Pindar	4/4
Simon Downing	4/4
Kevin Dady	3/4[1]
Christopher Sellers	4/4
Rachel Murphy	4/4

[1] Kevin Dady was unable to attend one meeting due to a previous commitment.

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 20.

The board has reviewed the Company's risk management and internal controls systems and is satisfied with the effectiveness of the processes.

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 33 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. The Board believe that it is important for it to be refreshed with new members periodically.

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; and the change will be treated as a related party transaction under the Company's voluntary compliance with the Listing Rules.

It is worth noting that Christopher Sellers is a Director of Grayce and RCI Group (the Company's two largest assets), as well as a Director of Literacy Capital plc. Whilst there could be a divergence in interests between the Company and one of its portfolio companies, there is good alignment of financial interests. Chris also owned 400,000 shares in the Company on 31 December 2023.

Company Secretary

Book 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

The Audit Committee is pleased to present its report for the year end 31 December 2023.

Role of the 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 on page 26. 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 and Interim Reports and Financial Statements as well as convening at other times when necessary. During its review of the Company's financial statements for the year ended 31 December 2023, the significant issues that the Committee discussed included the valuation of the investments as well as the presentation of the annual report and financial statements to ensure that they are fair, balanced and understandable. To address these, the Committee reviewed the valuations prepared by the Investment Manager taking account of the latest available information on the Company's investments. Secondly, in considering the report and financial statements for the year ended 31 December 2023, the Committee concluded that as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance.

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.

Tenure of the Independent Auditor

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.

In accordance with present professional guidelines, the Audit Engagement Partner is rotated after no more than five audit sign offs. The nine-month period to 31 December 2022 was the fifth and final audit for the previous Partner, Stephen Brown, therefore a new Audit Engagement Partner, Nargis Yunis, led the Company's 31 December 2023 audit.

In accordance with the Statutory Audit Services Order 2014, a competitive audit tender must be conducted at least every ten years. The Company is therefore required to carry out an audit tender no later than in respect of the financial period ending 31 December 2029.

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 considering 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 38.

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 twelve-month period along with each of their shareholdings in the Company at 31 December 2023, is set out in the table below:

Director	Gross salary (twelve-months to 31 December 2023)	Ordinary shares held on 31 December 2023
	£	Number
Paul Pindar & Sharon Pindar	-	17,000,000
Richard Pindar	-	6,425,000
Simon Downing	24,000	3,250,000
Kevin Dady	24,000	618,679
Christopher Sellers	24,000	400,000
Rachel Murphy	24,000	62,500

There were no changes to any of the shareholdings between 31 December 2023 and the publication of this Annual Report.

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

Director	Gross salary (nine-months to 31 December 2022)	Ordinary shares held on 31 December 2022
	£	Number
Paul Pindar & Sharon Pindar	-	17,000,000
Richard Pindar	-	6,425,000
Simon Downing	18,000	3,250,000
Kevin Dady	18,000	688,679
Christopher Sellers	18,000	400,000
Rachel Murphy	18,000	62,500

Directors' Remuneration Policy

The Board's policy (which will be put to shareholders for reapproval 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 considers 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 ending 31 December 2023 and therefore no payments in respect of compensation for the loss of office were paid or payable to any Director (Nine-months to 31 December 2022: 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.

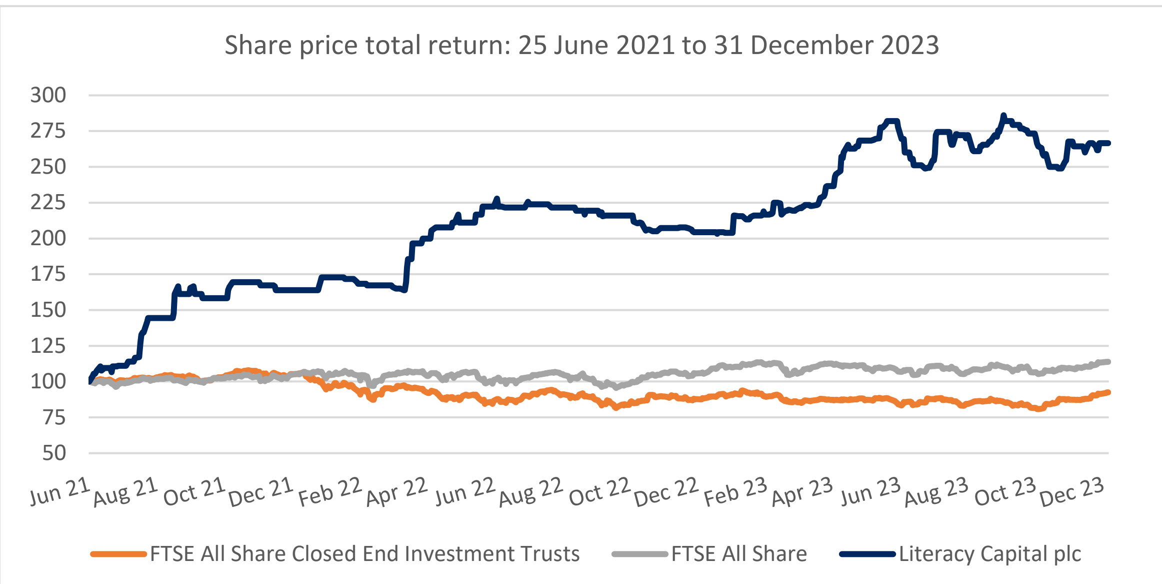
Report on Remuneration

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 Independent Non-Executive Directors. The Directors' remuneration will be reviewed by the Board on an annual basis. Any new directors would be paid in line with the existing directors and no additional recruitment incentives would be paid.

Company Performance

The graph below compares the Company's share price return over the twelve-month period, compared to the total shareholder return on a notional investment in the FTSE All-Share Closed End Investment Index and the FTSE All-Share Index ("the indexes"). The Indexes represents the performance of Investment Trusts from the FTSE UK Index Series, as well as the broader performance of listed FTSE companies (not only investment trusts). These Investment Trusts may operate and invest similarly to Literacy Capital plc. These Indexes comprise listed companies that BOOK's shareholders might also invest in or might consider investing in. As a result, the Investment Manager has deemed these to be the best comparators for the Company.

An explanation of the performance of the Company for the twelve-month period to 31 December 2023 is given in the Chairman's Statement and Investment Manager's Report, beginning on page 9. The graph below shows the share price total return for BOOK from admission to the London Stock Exchange on 25 June 2021 until 31 December 2023, compared to the FTSE All Share Closed End Investment Trust Index and the FTSE All Share (using an index value of 100 effective from 25 June 2021).



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 in the final week of January, April, July and October, which 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 81).

Directors' Report

The directors are pleased to present their report together with the audited financial statements for the twelve months to 31 December 2023.

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). Furthermore, the Company has received written approval from HM Revenue & Customs ("HMRC") as an authorised investment trust. The Company will continue to be an investment trust provided it satisfies conditions of Section 1158 of the Corporation Tax Act 2010. The Directors hold the opinion that the Company has operated in compliance with the conditions and intends to continuing do so.

Reporting Period

This Audited Report has been prepared for the twelve-month period to 31 December 2023.

Comparable Information

The comparative, prior period is a shortened nine-month period to 31 December 2022, whereas the reporting period is twelve months to 31 December 2023. Therefore, the financial information in the current period is not directly comparable to the prior period.

The Company had two accounting periods in 2022; a three-month period to 31 March 2022 and a nine-month period to 31 December 2022. The accounting reference date was shortened in 2022 in order for the Company to obtain investment trust status effective from 1 April 2022. Had this change not been made, the Company would not have gained investment trust status until 1 January 2023. The year end will now remain as 31 December.

Results and Dividends

Profit for the period ended 31 December 2023, after taxation, amounted to £48.2m (nine months to 31 December 2022: £62.5m).

During the period ended 31 December 2022, the total donation expenses incurred for charitable causes amounted to £2.76m (nine months to 31 December 2022: £1.88m). Additional funds have been set aside in the year for donation, as described below within the 'Charitable causes' section on page 38.

No dividend is recommended to be paid on respect of the period ended 31 December 2023 (see Dividend Policy below) (nine months to 31 December 2022: no dividend recommended).

Dividend Policy

The Directors intend to manage the Company's affairs to achieve Shareholder returns through capital growth rather than income. Therefore, the Company's policy is not to pay dividend to shareholders, unless it is required to do so for the Company to maintain its investment trust status, but to retain net income for reinvestment and making charitable donations.

Since obtaining investment trust status on 1 April 2022, the Company is required to distribute 85% of its net income annually. No dividend is required to be paid for the twelve-month period to 31 December 2023, as after costs there was no net income, though dividends may be paid or may be required to be paid in future periods.

Corporate Governance

The Corporate Governance Report, which forms part of the Directors' Report, is set out on page 28.

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 23.

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 relating to employees is not necessary.

Investment Fund Managers Directive (AIFMD)

Under the Alternative Investment Fund Managers Directive ("AIFMD"), the Company is required to appoint an Alternative Investment Fund Manager ("AIFM"), which must be appropriately regulated by the FCA. Book Asset Management LLP ("BAM" or the "Investment Manager") is the Company's AIFM (see next subsection below).

The Company has also appointed INDOS Financial Limited as depositary under Article 36 of the AIFMD. As part of its duties, the depositary is responsible for custody of the Company's portfolio assets.

Investment Manager

Book Asset management LLP ("BAM" or the "Investment Manager") is the manager of the Company. BAM 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. BAM has discretion, subject to overall supervision of the Board, to make investment decisions on behalf of the Company.

Book Asset Management LLP was previously called Literacy Capital Asset Management LLP but was renamed in September 2023 to eliminate any confusion between the two entities. There remains no intention for the Investment Manger to manage or launch any other fund, nor has been any changes in personnel or strategy.

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, given the good performance of the Manger, the continuing appointment of the Investment Manager on the terms agreed is in the interests of its shareholders.

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 in the period is £2,759k, taking the total provision at year end to £3,321k. The Company has donated or reserved for donation more than £8.5m since inception in 2017 to 31 December 2023.

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

On 31 December 2023, 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.

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 fair value of the warrants has been recorded in the share-based payment reserve at 31 December 2023.

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 period between the third and tenth anniversaries of their respective issue date.

As at 31 December 2023, 600,000 warrants were in issue, which will all vest across 2024, 2025 and 2026. The warrants were issued with exercise prices ranging from 160p to 436.2p.

Subsequent Events

BOOK has not made any new platform investment since the period end. Since 31 December 2023, the Company made £3.5 million of incremental investments into six existing portfolio companies. Further investment into five of the portfolio companies was to provide additional funding to support the businesses' growth plans, whilst the sixth investment was to acquire additional equity in the business. These are all non-adjusting events at 31.12.2023.

Financial Risk Management

Details of the Company's Financial Risk Management, including information about its ability to repurchase its own shares, is set out within Note 26 of the financial statements.

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.

The FCA Listing Rules require the Company to disclose if it has met the following targets on board diversity;

i) at least 40% of the individuals on the board are women;
ii) at least one of the senior positions is held by a woman;
iii) at least one individual is from a minority ethnic background.

At 31 December 2023, the Company had met the target on one of the senior positions being held by a woman, but it did not meet the specified targets in relation to gender or ethnic representation on the Board. The Board continues to review its succession plan and will aim to meet the two missed targets, whilst ensuring that the Board contains individuals with the necessary skills and knowledge to meet its objectives.

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 6.

Related Party Transactions

Details in respect of the Company's related party transactions during the period are included in note 27 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
20 March 2024

Directors' Responsibility Statement

The Directors are responsible for preparing the Report for the Annual Report 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. The directors are also responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors each confirm to the best of their knowledge that:

- The Financial Statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and return of the Company; and

- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company, along with a description of the principal risks and uncertainties that the Company faces.

The Directors confirm that the Audited Report and Financial Statements, taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Paul Pindar
Chairman
On behalf of the Board of Directors
20 March 2024

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 year ended 31 December 2023 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 material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards 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 December 2023 and of the Company's profit for the year 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 the Directors, assessing and challenging the appropriateness of the Directors' key assumptions in their income, expense and cash flow projections.
- Assessing the Company's ability to continue to operate within its financial covenants and the liquidity of the entity through reviewing the Director's assessment and supporting evidence.
- Testing the accuracy and functionality of the model used to prepare the Directors' forecasts.
- Assessing the historical accuracy of forecasts prepared by the Directors.
- Assessing the expiry of the loan facility in place and the impact this will have on the Company's financing within the next 12 months, including correspondence with the relevant banks on renewal or alternative financing plans that the Investment Manager and Board of Directors are considering.

- Assessing the entity's performance to date; and 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.

In relation to the Company's reporting on how it has applied the AIC Code of Corporate Governance, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Director's considered it appropriate to adopt the going concern basis of accounting.

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 notes 5, 5.1 and 5.2 "Accounting estimates and judgements" and note 15 "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 portfolio of investments totalling £315.1m, representing 104.6% of net assets as of 31 December 2023. 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.	Our audit procedures included, but were not limited to: • Understanding the relevant controls relating to the Investment Manager's recording and valuation of investments, please refer to page 31 for the Audit Committee's process to review the valuation of investments; • Engaging with our internal valuation specialists, forming part of the audit team to perform the procedures below: ▪ 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

There is a risk that inappropriate judgements made under each methodology 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.	and assumptions used in the valuation of investments under each methodology; ▪ For investments valued on a multiple basis performing a review of the Total Gross Asset Value (TGAV) or Earnings before interest, taxes, depreciation and amortisation (EBITDA) multiples and maintainable earnings used and assessing whether the multiples applied by the Investment Manager were within a reasonable range of fair value in comparison to both comparable market transactions and companies; • 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 arms-length basis and therefore suitable as an input to the valuation; and ▪ For fund investments valued by third party fund managers considering the appropriateness of the methodology used, confirming net asset value to the third-party confirmations available at the reporting date, obtaining the latest available audited fund financial statements to perform roll back procedures and verifying cash movements in the period to appropriate evidence. • For all investments we obtained direct confirmations from investee companies and third-party fund managers, verifying the accuracy and completeness of source data used in the Investment Manager's valuation calculations and reviewing the valuation model for mathematical accuracy. • Reviewing subsequent events for information that could impact the valuation as of 31 December 2023. • Assessing the reasonableness of disclosures in the financial statements as they related to the valuation of investments for consistency with UK-adopted International Accounting Standards as applied in accordance with the provisions of the Companies Act 2006.

	Our observations Based on the work performed and evidence obtained, we found that the valuation of the investment portfolio as of 31 December 2023 to be reasonable and performed in accordance with the guidelines stated above.

Our application of materiality and an overview of the scope of our 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	£3.01m
How we determined it	1% of net assets
Rationale for benchmark applied	Net assets have been identified as the principal benchmark within the financial statements as they are considered to be the focus of the shareholders. 1% of net assets has been chosen to reflect the risk that errors in relation to the valuation of investments could cause a material misstatement due to the inherent uncertainties around accounting estimates and judgments.
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 £2.10m, which represents 70% of overall materiality.
Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £90.3k 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.

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 annual report 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 year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

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; or
- information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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; or
- a corporate governance statement has not been prepared by the Company.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to Literacy Capital Plc's compliance with the provisions of the UK Corporate Governance Statement, in applying the AIC Code of Corporate Governance, specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 22;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate, set out on page 7;
- Directors' statement on fair, balanced and understandable, set out on page 41;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 20;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 29; and
- The section describing the work of the Audit Committee, set out on page 31.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 41, 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 Section 1158 of the Corporation Tax Act 2010, HMRC Investment Trust conditions.

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 of the Investment Manager 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 year; 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 the UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006 and the AIC Code of Corporate Governance.

In addition, we evaluated the Directors' and Investment Manager'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, revenue recognition of realised gains on disposal of investments (which we pinpointed to the accuracy assertion) 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 of the Investment Manager 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;
- 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 of the Investment Manager. 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 five years, covering the years ended 31 December 2019 to 31 December 2021, a 3-month period ended engagement to 31 March 2022, a 9-month period ended engagement to 31 December 2022 and a full year ended 31 December 2023.

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.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Nargis Yunis

Nargis Shaheen Yunis (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

Date: 20-Mar-2024

Statement of comprehensive income

Note		For the year ended 31 December 2023 £	For the nine months ended 31 December 2022 £
	Gains on investments		
15	Unrealised gain on fair value on investments	34,607,528	65,364,521
15	Realised gain on disposal of investments	16,993,458	65,229
	Gains for the period on investments	**51,600,986**	**65,429,750**
6	Investment income	4,727,639	4,595
	Operating income	2,365	409
	Total	**4,730,004**	**5,004**
	Total income	**56,330,990**	**65,434,754**
	Expenses		
7	Operating expenses	(1,093,948)	(751,990)
8	Management fee	(2,759,450)	(1,879,485)
	Total operating expenses	**(3,853,398)**	**(2,631,475)**
10	Charitable donations	(2,759,450)	(1,879,485)
11	Finance costs	(1,504,014)	(629,519)
	Net foreign exchange (loss) / profit	(9,515)	274,162
	Profit for the period before taxation	**48,204,613**	**60,568,438**
12	Tax credit	-	1,910,072
	Profit for the period	**48,204,613**	**62,478,510**
	Other comprehensive income		-
	Total comprehensive income	**48,204,613**	**62,478,510**
	Earnings per share for profit attributable to the ordinary shareholders of the company:		
22	Basic earnings per share	**80.34 pence**	**104.13 pence**
22	Diluted earnings per share	**79.62 pence**	**103.46 pence**

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

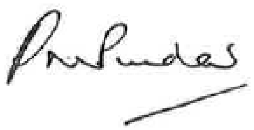
Statement of financial position

Company registered number: 10976145

Note		31 December 2023	31 December 2022
		£	£
	Non-current assets		
15	Investments at Fair Value through Profit or Loss	315,118,295	270,578,517
		315,118,295	**270,578,517**
	Current assets		
16	Cash and cash equivalents	272,899	1,472,034
17	Trade and other receivables	445,142	541,756
		718,041	**2,013,790**
	Current Liabilities		
18	Trade and other payables due less than one year	(1,358,094)	(1,297,453)
10	Accrual for charitable donation	(3,321,007)	(2,279,139)
14	Debt	(9,465,014)	-
		(14,144,115)	**(3,576,592)**
	Net current (liabilities)	**(13,426,074)**	**(1,562,802)**
	Non-current liabilities		
19	Trade and other payables due more than one year	(605,541)	-
14	Debt	-	(16,324,648)
	Total non-current liabilities	**(605,541)**	**(16,324,648)**
	Net assets	**301,086,680**	**252,691,067**
	Capital and reserves		
21	Share capital	60,000	60,000
	Share premium	53,946,000	53,946,000
	Retained earnings	246,745,680	198,541,067
	Share based payment reserve	335,000	144,000
	Total share capital & reserves	**301,086,680**	**252,691,067**

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 20 March 2024 and were signed on its behalf by:



Paul Pindar
Director
20 March 2024

Statement of changes in equity

For the year ended 31 December 2023	Share capital	Share premium	Retained earnings	Share based payment reserve	Total
	£	£	£	£	£
Balance at 31 December 2022	60,000	53,946,000	198,541,067	144,000	252,691,067
Profit for the period	-	-	48,204,613	-	48,204,613
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**48,204,613**	**-**	**48,204,613**
Contributions by and distributions to owners					
Share based payment reserve	-	-	-	191,000	191,000
Total transactions with owners	**-**	**-**	**-**	**191,000**	**191,000**
Balance as at 31 December 2023	**60,000**	**53,946,000**	**246,745,680**	**335,000**	**301,086,680**

For the nine months ended 31 December 2022	Share capital	Share premium	Retained earnings	Share based payment reserve	Total
	£	£	£	£	£
Balance at 31 March 2022	109,950	53,946,000	136,062,558	-	190,118,508
Profit for the period	-	-	62,478,510	-	62,478,510
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**62,478,510**	**-**	**62,478,510**
Contributions by and distributions to owners					
Cancellation of deferred shares	(49,950)	-	-	-	(49,950)
Share based payment reserve	-	-	-	144,000	144,000
Total transactions with owners	**(49,950)**	**-**	**-**	**144,000**	**94,050**
Balance as at 31 December 2022	**60,000**	**53,946,000**	**198,541,067**	**144,000**	**252,691,067**

Statement of cash flows

Notes		For the year ended 31 December 2023	For the nine months ended 31 December 2022
	Cash flows from operating activities	**£**	**£**
	Cash inflow/(outflow) from operating activity		
8	Management fee paid	(3,067,137)	(1,432,262)
7	Non-executive director remuneration	(98,487)	(81,339)
7	Other operating expenditures	(671,822)	(545,587)
11	Finance costs	(1,873,409)	(161,046)
10	Charitable donations paid	(1,717,581)	(1,711,382)
6	Income from investments	4,727,639	4,595
	Operating income	2,365	409
	Net cash used in operating activities	**(2,698,432)**	**(3,926,612)**
15	**Cash flows from investing activities**		
	Cash inflow/(outflow) from investing activities		
	Purchase of Investments	(33,644,745)	(20,326,365)
	Proceeds from disposals of investments	41,641,937	7,265,408
	Net cash generated by / (used in) investing activities	**7,997,192**	**(13,060,957)**
14	**Cash flows from Financing activities**		
	Cash inflow/(outflow) from financing activities		
	Receipt from unpaid share capital debtors	-	49,950
	Repurchase of deferred shares	-	(49,950)
	Repayment of RCF	(39,438,592)	(3,350,000)
	Receipt from RCF	32,950,000	18,825,000
	Net cash (used in) / generated by financing activities	**(6,488,592)**	**15,475,000**
	Net decrease in cash and cash equivalents	**(1,189,832)**	**(1,512,570)**
16	Cash and cash equivalents - opening balance	1,472,034	2,982,399
	Effect of exchange rate fluctuations on cash and cash equivalents	(9,303)	2,205
	Cash and cash equivalents - closing balance	**272,899**	**1,472,034**

Reconciliation of net debt

Cash and cash equivalents	On 31 December 2022	Cash flows	Other non-cash charges	On 31 December 2023
	£	**£**	**£**	**£**
Cash at bank	1,472,034	(1,189,832)	(9,303)	272,899
Borrowings	(16,324,648)	6,488,592	371,042	(9,465,014)
Net debt	**(14,852,614)**	**5,298,760**	**361,739**	**(9,192,115)**

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

1. Reporting 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-ended investment trust focused on investing in and supporting small, growing UK businesses and helping their management teams to achieve long-term success. Literacy Capital plc's shares are listed on the Specialist Fund Segment of the London Stock Exchange (ISIN GB00BMF1L080).

Book Asset Management LLP is the Company's investment manager. Book Asset Management LLP is a limited liability partnership, incorporated in the United Kingdom. Its registered office is 3rd Floor, Charles House, 5-11 Regent Street St James's, London, SW1Y 4LR.

2. Basis of preparation

These financial statements for the year to 31 December 2023 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 shorter period covering the nine months to 31 December 2022.

Details of the Company's material 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's material 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.

Going Concern Assessment

The Board has assessed the financial position and prospects of the Company over the next 12 months, whilst considering the Company's principal risks and uncertainties.

On 31 December 2023, Literacy Capital plc had cash reserves of £0.3 million (31 December 2022: £1.5 million), as well as access to its Revolving Credit Facility ("RCF"), committed by Investec Bank plc until December 2024. During the period, the limit of the RCF was increased by £5 million to £30 million. £9.4 million was drawn at the end of 2023, leaving a little over £20 million available. The Company has performed an assessment of its expected inflows and outflows for the period to 30 June 2025 and the total cash available to the Company is far in excess of its operating costs during this period (including both its charitable donations and any Investment Management fees), plus any commitments to the portfolio or fund commitments. The provision relating to outstanding charitable donations to be paid is £3.3 million. The Investment Manager is considering its options for its RCF beyond its expiry in December 2024, and the intention is for the Company to continue to have access to an RCF beyond December

2024 to ensure that it retains flexibility to manage its existing investments and complete new investments. In the very unlikely event that the RCF has to be repaid in December 2024 without a new facility arranged to replace it, BOOK would have had sufficient sight of this to take measures to return cash to itself to repay the facility.

The only material obligations that BOOK has relate to undrawn amounts to its four fund commitments, totalling £2.5m. However, £1.2m 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 Q4, giving BOOK good visibility over the timing and quantum of future capital calls. The vast majority of BOOK's portfolio is 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.

Literacy Capital received approval from HMRC as an investment trust on 1 April 2022. In order to continue as an investment trust, the Company must not retain more than 15% of its net annual income. The Board will continue to ensure that the business retains sufficient liquidity to pay any dividends that are required to be paid to shareholders. If a dividend needs to be paid, this will be paid out of cash income received by the Trust, so will be self-funding.

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.

The new and amended accounting standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current Liabilities with Covenants (effective 1 January 2024);
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective 1 January 2024);
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures: Suppler Finance Arrangements; and
- Amendments to IAS 21, the effects of changes in foreign exchange rates: Lack of Exchangeability (effective 1 January 2025)

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. 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. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

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 Book Asset Management LLP (an Alternative Investment Fund Manager, "AIFM"), which is calculated as 0.9% of the closing December 2023 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 a 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, being 60,000,000 shares at 25 June 2021.

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 the long term. 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. No reclassification took place during the period to 31 December 2023.

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.

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

There is no tax expense for the current period. 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):

Trading name (Topco entity)	Registered address and principal place of business
RCI Group (RCI Group Ltd)	First Floor, Station Place, Argyle Way, Stevenage, SG1 2AD
Grayce (Kelly Topco Ltd)	1st Floor, Hilton House, Hilton Street, Manchester, M1 2EH
Techpoint (Techpoint Group Ltd)	Unit 1 Mundford Road Trading Estate, Thetford, Norfolk, IP24 1HX
Antler Homes (Rottnest Holdings Ltd)	Knightway House, Park Street, Bagshot, Surrey, GU19 5AQ
Oxygen Freejumping (OFJ Spring Topco Ltd)	15 Vision Industrial Park, Kendal Avenue, London, W3 0AF
Halsbury Travel (Huron Topco Ltd)	35 Churchill Park Colwick Business Estate, Nottingham, NG4 2HF
Tyrefix UK (Noah Topco Ltd)	Tyrefix Brookside Industrial Estate, Spring Road, Ibstock, Leicestershire, LE67 6LR
Ashleigh & Burwood (Heritage Topco Ltd)	Heritage House, Pool Road, West Molesey, Surrey, KT8 2NU
Velociti (Velociti Topco Ltd)	20, Harris Business Park, Hanbury Road, Bromsgrove, B60 4DJ
Alufold Direct (Vista Topco Ltd)	6b Frontier Park, Frontier Avenue, Blackburn, BB1 3AL
Flight Calibration Services (Albatross Topco Ltd)	Calibration House, 17-19 Cecil Pashley Way, Shoreham Airport, Shoreham BN43 5FF

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 to 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’s largest investments are set out on page 10. The Company operates within the United Kingdom. The Board therefore concludes that further disclosures under IFRS 8 Operating Segments are not required.

3.10 Share-based payments

Warrants to subscribe for shares in the Company, which vest over a three-year period, have been issued to certain Members of the Investment Manager. Equity-settled share-based payments are measured at fair value at the date of grant, which is then recognised in the profit or loss over the period that services are provided to the Company, between the start of the performance period and the vesting date of the warrants. The number of share awards expected to vest considers the likelihood that performance and service conditions included in the terms of the warrants will be met. The fair value is measured using an appropriate model which takes into account the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the award and any other relevant factors. Expenses from share-based transactions are recognised in profit and loss and held in the share-based payment reserve at fair value, on a straight-line basis over the vesting period over which all specified vesting conditions are satisfied. The expense is adjusted for the forfeiture of the participants' rights that no longer meet the vesting requirement. The cost of the share-based payments is allocated to operating expenses.

3.11 Finance charge

Finance charges on the Investec Revolving Credit Facility ("RCF") are recognised as an expense in the statement of comprehensive income under the line item 'Finance costs'. Finance charges, including interest and non-utilisation fees in relation to the RCF is recognised in the period it relates to.

3.12 Borrowings

The Revolving Credit Facility is initially recognised at cost, being the fair value of the consideration received, net of any issue expenses. Subsequently, they are measured at amortised cost. Finance charges are accounted for on an accruals basis.

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 judgements

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 Key Judgements

The preparation of financial statements in accordance with UK-adopted international accounting standards requires the Directors to exercise judgement in the process of applying the accounting policies. The following are areas where a higher degree of judgement has been applied and has a significant effect in the preparation of the Financial Statements.

i) **Assessment as an investment entity**

To determine that the Company continues to meet the definition of an investment entity, the Company is required to satisfy the following criteria;

- The Company obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- The Company commits to its investor(s) that its business is to invest funds solely for returns from capital appreciation, investment income, or both; and
- The Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company meets the criteria as follows;

- The stated objective of the Company is to deliver long term capital growth through making investments;
- The Company has many investors who have pooled their funds to gain access to investment opportunities that they might not have had individually; and
- The Company measures the performance of all of its investments on a fair value basis.

The directors have considered the definition of an investment entity also whilst assessing whether the company meets the characteristics of an investment entity. The directors are of the opinion that the Company has all the typical characteristics of an investment entity and continues to meet the definition.

5.2 Key Estimates

In addition to the significant judgements, the below estimate is considered significant to the financial statements and has a risk of causing a material adjustment to the amounts recognised in the financial statements within the next financial year.

ii) **Fair valuation of investment portfolio**

The investment portfolio, a material group of assets of the Company, is held at fair value. Details of the valuation methodologies used and the associated sensitivities are shown in note 15.

6. Investment income

The following table sets out the income derived from investments:

	For the year ended 31 December 2023	For the nine months ended 31 December 2022
	£	£
Distribution of income from investments	4,727,639	4,595
Total	**4,727,639**	**4,595**

Income from investments has been received from Company's domiciled in the United Kingdom and Jersey.

7. Operating expenses

	For the year ended 31 December 2023	For the nine months ended 31 December 2022
	£	£
Non-Executive Director remuneration	104,227	78,605
Auditor remuneration	70,620	62,000
Other operating expenses	919,101	611,385
Total	**1,093,948**	**751,990**

8. Management fee

	For the year ended 31 December 2023	For the nine months ended 31 December 2022
	£	£
Management fee	2,759,450	1,879,485
Total	**2,759,450**	**1,879,485**

9. Employees

The Company has no employees, however, the average number of Directors during the period was 6 (31 December 2022: 6).

10. Charitable donations

The Company has recognised charitable donation expenses of £2,759,450 (nine-months to 31 December 2022: £1,879,485) calculated by applying 0.9% to a pro forma Net Asset Value adjusted for fair value uplifts of £306.6 million (31 December 2022: £257.1 million).

During the year ended 31 December 2023, donations paid were £1,717,581 (nine-months to 31 December 2022: £1,711,382). The accrual for charitable donations at the year end amounts to £3,321,008 (31 December 2022: £2,279,139). See Note 26 liquidity risk disclosure for maturity analysis of the accrual for charitable donations.

11. Finance costs

The finance costs are in relation to the Company's revolving credit facility. The costs comprise an interest element which is floating and linked to SONIA, as well as an ongoing non-utilisation fee linked to the undrawn balance.

	For the year ended 31 December 2023	For the nine months ended 31 December 2022
	£	£
Finance costs on Revolving Credit Facility	1,504,014	629,519
Total	**1,504,014**	**629,519**

12. Taxation

	For the period ended 31 December 2023	For the nine months ended 31 December 2022
	£	£
Current taxation		
United Kingdom corporation tax at 23.52% (31 December 2022: 19%)	-	-
Adjustments in respect of prior periods	-	-
	-	**-**

	For the period ended 31 December 2023	For the nine months ended 31 December 2022
	£	£
Deferred taxation		
Origination and reversal of temporary differences	-	(1,967,493)
Adjustments in respect of prior periods	-	57,421
	-	**(1,910,072)**

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 period ended 31 December 2023	For the nine months ended 31 December 2022
	£	£
Profit on ordinary activities before taxation	**48,204,613**	**60,568,438**
Tax on profit on ordinary activities at standard rate of 23.52% (31 December 2022: 19%)	11,337,989	11,470,763
Factors affecting tax charge for the period:		
Income not taxable in determining taxable profit	(13,902,146)	(12,340,236)
Expenses not deductible for tax purposes and other adjustments	1,726,674	294,222
Other permanent differences	614	-
Exempt ABGH distributions	(967,928)	-
Adjustments to tax charge in respect of previous periods - deferred tax	-	57,421
Remeasurement of deferred tax for changes in tax rates	(113,522)	-
Movement in deferred tax not recognised	1,918,319	517,830
Impact of moving to Investment Trust	-	(1,910,072)
Total tax on profit on ordinary activities	**-**	**(1,910,072)**

Literacy Capital plc qualified for Investment Trust status with effect from the financial year commencing 1 April 2022, and as such, its capital gains are now not taxable. A tax credit of £1.9m has been recognised in the prior period due to the reversal of the opening deferred tax liability on unrealised chargeable gains.

There is no UK current tax charge at 31 December 2023 (31 December 2022: £nil) as the Company had sufficient losses to fully relieve all taxable income amounts.

At 31 December 2023 the Company had a potential deferred tax asset of £4m (31 December 2022: £1.9m) on taxable losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is not considered sufficiently certain that the Company will make taxable revenue profits in the future and it is not liable to pay tax on its capital gains. The potential deferred tax asset has been calculated using a corporation tax rate of 25%.

Factors that may affect future tax charges

The Finance Act 2021 enacted legislation to increase the UK corporation tax to 25% with effect from the tax year commencing 1 April 2023.

13. Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The revenue available for distribution by way of dividend for the year is £nil (2022: £nil). As the company has generated a net revenue loss there is no proposed dividend.

14. Debt

Literacy Capital plc entered into a £25m Revolving Credit Facility ("RCF") with Investec in December 2021. During the year ended 31 December 2023 this has been extended to £30m, out of which £9.36m had been drawn (31 December 2022: £15.85m). This facility is committed by Investec Bank plc until December 2024. The Company has provided security in the form of its underlying portfolio companies. A pre-agreed margin (dependent on loan to value at each drawing) plus the daily SONIA rate is charged on borrowed amounts. A non-utilisation fee is also charged on the available undrawn amounts of the facility. Note 11 details the finance costs charged within the period.

	31 December 2023	31 December 2022
	£	£
Revolving Credit Facility	9,361,408	15,850,000
Accrued interest on Revolving Credit Facility	103,606	474,648
Total	**9,465,014**	**16,324,648**

15. Financial instruments

	31 December 2023	31 December 2022
	£	£
Assets		
Financial assets at fair value through profit or loss		
Equity instruments at fair value through profit or loss	226,633,780	221,332,177
Debt instruments at fair value through profit or loss	88,484,515	49,246,340
Financial assets at amortised cost		
Cash and cash equivalents	272,899	1,472,034
Trade and other receivables (excluding prepayments)	-	-
Total financial assets	**315,391,194**	**272,050,551**
Liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	1,963,635	1,297,453
Revolving Credit Facility	9,465,014	16,324,648
Total financial liabilities	**11,428,649**	**17,622,101**

The investment reconciliation schedule for the Company as at 31 December 2023 is as follows:

	Equity instruments at fair value through profit or loss		Debt instruments at fair value through profit or loss		31 December 2023 Total
	£	£	£	£	£
Investments at 31 March 2022		**221,332,176**		**49,246,341**	**270,578,517**
Additions		8,678,943		35,518,901	**44,197,843**
Proceeds from the disposal of investments	(48,141,938)		(3,117,113)		(51,259,051)
Realised gain / (loss) on disposal of investments	16,993,458		-		16,993,458
Cost of Disposal		(31,148,480)		(3,117,113)	**(34,265,592)**
Fair value movement through profit or loss		27,771,141		6,836,387	34,607,528
Investments at 31 December 2022		**226,633,780**		**88,484,515**	**315,118,295**

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

	Equity instruments at fair value through profit or loss		Debt instruments at fair value through profit or loss		31 December 2022 Total
	£	£	£	£	£
Investments at 31 March 2022		**152,352,376**		**38,861,130**	**191,213,506**
Additions		8,712,857		12,213,509	**20,926,366**
Proceeds from the disposal of investments	(4,656,684)		(2,608,724)		(7,265,408)
Realised gain / (loss) on disposal of investments	(27,051)		92,280		65,229
Cost of Disposal		(4,683,735)		(2,516,444)	**(7,200,179)**
Fair value movement through profit or loss		64,676,375		688,146	**65,364,521**
Unrealised FX gain / (loss)		274,303		-	274,303
Investments at 31 December 2022		**221,332,176**		**49,246,341**	**270,578,517**

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.

The 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 (earnings before interest, taxes, depreciation and amortisation) / EBIT (earnings before interest and taxes) and TGAV (total gross asset value) 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 68.

For assets managed and valued by a third party, the fund manager provides the Company with periodic valuations of the Company's investment. These are captured within Level 2 in the fair value hierarchy. 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 December 2023 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 December 2023. The valuations that the underlying managers ultimately provide as at 31 December 2023 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 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Equity instruments at fair value through profit or loss	-	14,264,673	212,369,107	226,633,780
Debt instruments at fair value through profit or loss	-	-	88,484,515	88,484,515
Total investments	**-**	**14,264,673**	**300,853,622**	**315,118,295**

Financial assets and liabilities

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Equity instruments at fair value through profit or loss	-	12,745,435	208,586,741	221,332,176
Debt instruments at fair value through profit or loss	-	-	49,246,341	49,246,341
Total investments	**-**	**12,745,435**	**257,833,082**	**270,578,517**

There were no in-year transfers between fair value hierarchies in either 2022 or 2023.

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.

Unquoted investments (including debt)	31 December 2023	31 December 2022
	£	£
Balance as at 1 January / 1 April	257,833,082	178,943,902
Additional investments	43,396,465	19,238,786
Proceeds from disposal of investments	50,558,241	(6,394,200)
Realised gain / (loss)	16,993,458	65,229
Change in fair value through profit & loss	33,188,858	65,979,365
Balance as at 31 December	**300,853,622**	**257,833,082**

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used on 31 December 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description Inputs	Fair value on 31 December 2023	Fair value on 31 December 2022	Significant unobservable Inputs
	£	£	
Unquoted private equity investments (including debt)	281,960,050	228,848,343	EBITDA multiple
Unquoted growth capital investments	1,250,005	14,199,613	Milestone
Unquoted private equity investments (including debt)	17,643,567	14,785,126	TGAV Multiple
	300,853,622	**257,833,082**	

Significant unobservable inputs are developed as follows:

- **EBITDA and TGAV multiple**: 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 be used too.
- **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 9.3x (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 £34.8m 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 £34.1m lower.

- The Company's investment in a Level 3 asset which is valued using 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 £3.4m 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 £3.4m 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 per cent. higher, the value of the Level 3 assets would have been £0.1m higher. If the output had been taken to be 10 per cent. lower, the value of the Level 3 assets would have been £0.1m lower.

10 per cent. was chosen as an appropriate sensitivity metric to be used as this is the typical amount a multiple could move between valuations.

16. Cash and cash equivalents

	31 December 2023	31 December 2022
	£	£
Cash at bank	272,899	1,472,034
Total	**272,899**	**1,472,034**

17. Trade and other receivables

	31 December 2023	31 December 2022
	£	£
Prepayments	445,142	541,756
Total receivables	**445,142**	**541,756**

18. Trade and other payables due less than one year

	31 December 2023	31 December 2022
	£	£
Trade payables	112,672	84,243
Accrued expenses	314,479	604,655
Other creditors	930,943	608,555
Total payables	**1,358,094**	**1,297,453**

Other creditors include deferred consideration payments in relation to the Company having acquired further equity in one of its portfolio companies.

19. Trade and other payables due more than one year

	31 December 2023	31 December 2022
	£	£
Trade payables	-	-
Accrued expenses	-	-
Other creditors	605,541	-
Total payables	**605,541**	**-**

Other creditors include deferred consideration payments in relation to the Company having acquired further equity in one of its portfolio companies. These will be settled during 2025.

20. Deferred Tax

The following are the deferred tax assets and liabilities recognised by the Company and the movements during the year ended 31 December 2023:

	Fair value gain on investments	Tax losses	Short-term timing differences	Total
	£	£	£	£
On 1 January 2023	-	-	-	
(Charge)/credit to income	-	-	-	-
At 31 December 2023	**-**	**-**	**-**	**-**

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

	Fair value gain on investments	Tax losses	Short term timing differences	Total
	£	£	£	£
On 1 April 2022	(3,206,174)	760,842	535,260	(1,910,072)
(Charge)/credit to income	3,206,174	(760,842)	(535,260)	1,910,072
At 31 December 2022	**-**	**-**	**-**	**-**

The Company has not provided for deferred tax on any realised and unrealised gains or losses of investments as it is exempt from UK tax on these items due to the Company being a recognised investment trust.

21. Share capital

	31 December 2023	31 December 2023	31 December 2022	31 December 2022
	Number	£	Number	£
Ordinary shares of £0.001 each	60,000,000	60,000	60,000,000	60,000
Total shares	**60,000,000**	**60,000**	**60,000,000**	**60,000**

- The number of shares authorised, issued and allotted have been paid to the extent of 60,000,000 shares amounting to £60,000 as at 31 December 2023 (31 December 2022: 60,000,000 shares amounting to £60,000).
- All ordinary shares have the same voting rights, preferences, and no restrictions on the distribution of dividends and the repayment of capital.

- The Company's articles do not limit the number of new ordinary shares which can be issued.

22. Basic and diluted profit per share (pence)

Basic profit per share is calculated by dividing the profit of the Company for the year attributable to the ordinary shareholders of £48,204,613 (for the nine months ended 31 December 2022: profit of £62,478,510) divided by the weighted average number of shares outstanding during the year of 60,000,000 (for the nine months ended 31 December 2022: 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 £48,204,613 (for the nine months ended 31 December 2022: profit of £62,478,510) divided by the weighted average number of ordinary shares outstanding during the period, but including the outstanding warrants at period end which are expected to vest, which totals 60,540,822 shares (for the nine months ended 31 December 2022: 60,391,327).

23. NAV per share (pence)

The Company's basic NAV per share of 501.81 pence (for the nine months ended 31 December 2022: 421.2 pence) is based on the net assets of the Company at the period end of £301,086,680 (for the nine months ended 31 December 2022: £252,691,067) divided by the shares in issue at the end of the period of 60,000,000.

'Alternative Performance Measures' on page 75 which sets out why a diluted NAV and NAV per share have been used with 'Performance Highlights' on page 3 and the 'Strategic Report' from page 6.

24. Warrants

The following table set out the movement of warrants in issue during the period.

	For the period ended 31 December 2023	For the nine months ended 31 December 2022
	Number	**Number**
Outstanding warrants at the beginning of the period	**350,000**	**302,500**
Warrants issued during the period	250,000	100,000
Warrants forfeited during the period	-	(52,500)
Warrants vested during the period	-	-
Outstanding warrants at the end of the period	**600,000**	**350,000**
Exercisable warrants at the end of the period	**-**	**-**

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 exercisable between the third and tenth anniversary of the issue date. The warrants will be settled by the issuance of ordinary shares.

The outstanding warrants at the beginning of the period were issued over 2021 and 2022, with further warrants issued during the period in March and April 2023. At 31 December 2023, 600,000 warrants were in issue, which will vest across 2024, 2025 and 2026. The warrants were issued with exercise prices ranging from 160p to 436.2p.

25. Reserves

The following are the reserves with the entity as on 31 December 2023:

- Share Capital: Capital issued and paid to the extent of £60,000.
- Share Premium: Premium above par value issued and fully paid. The Share Premium account is distributable.
- Retained Earnings: Accumulated profits and losses less any dividends paid.
- Share based payment reserves: The fair value of any share based payments recognised at the reporting date.

26. Financial risk management

The Company's financial instruments comprise:

- Investments in unlisted companies, comprising equity and loans
- Cash and cash equivalents
- Revolving Credit Facility
- 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. The only additional restriction the Company has in relation to its share capital is that, pursuant to shareholder approval on 10 May 2023, the maximum number of shares the Company can repurchase is 14.99% of the Ordinary Shares in issue. The movements in share 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.

The Board of Directors and Investment Manager continually monitor the Company's cash position, which includes creating detailed forecasts of expected cash inflows and outflows. The Company has access to a £30m Revolving Credit Facility ("RCF"), which is available to provide flexibility for BOOK to complete new investments as suitable opportunities arise. Where proceeds are received from the portfolio, in the first instance BOOK would pay down the RCF. In the event that there was a cash balance in the Company above what could deployed in the near term, BOOK may return capital to shareholders.

At 31.12.2023, the drawn balance of the RCF, including accrued interest, was £9.5m. The Company must adhere to certain covenants in relation to the RCF, including the Loan to Value, but none are capital requirements. Covenants are monitored by the Investment Manager and Board closely to ensure compliance at all times. A material breach in covenants may lead to the RCF needing to be repaid in full.

The Company's debt and capital structure comprises the following:

	31 December 2023	31 December 2022
	£	**£**
Debt		
Revolving Credit Facility	9,465,014	16,324,648
	9,465,014	**16,324,648**
Equity		
Ordinary shares of £0.001 each	60,000	60,000
	60,000	**60,000**
Total debt and equity	**9,525,014**	**16,384,648**

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 management of liquidity risk is covered within Capital Management in the section above. The Company's liabilities consisted of trade and other payables, which are to be settled within one year, as well as its Revolving Credit Facility which is committed until December 2024.

On 31 December 2023	<1 Year	1 - 5 Years	Over 5 years	No stated maturity
	£	**£**	**£**	**£**
Financial liabilities				
Trade and other payables	1,043,615	605,541	-	-
Accruals	314,479	-	-	-
Accrual for charitable donations	3,321,008	-	-	-
Revolving Credit Facility	9,465,014	-	-	-
Total	**14,144,115**	**605,541**	**-**	**-**

On 31 December 2022	<1 Year	1 - 5 Years	Over 5 years	No stated maturity
	£	**£**	**£**	**£**
Financial liabilities				
Trade and other payables	692,798	-	-	-
Accruals	604,655	-	-	-
Accrual for charitable donations	2,279,139	-	-	-
Revolving Credit Facility	-	16,324,648	-	-
Total	**3,576,592**	**16,324,648**	**-**	**-**

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 15 best represents their respective maximum exposure to credit risk. The Company holds no collateral over any of these balances.

	31 December 2023	31 December 2022
	£	£
Trade and other receivables (excluding prepayments)	-	-
Cash and cash equivalents	272,899	1,472,034

The maximum exposure to credit risk before any credit enhancements as at 31 December 2023 is the carrying amount of the financial asset held at amortised cost as set out in Note 15.

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 and cash and cash equivalents, 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, 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 assets do not have a significant increase in credit risk since initial recognition and has low credit risk at the reporting date.

Currency risk

The Company's operations are conducted in Sterling. Investments are typically made in Sterling, though the Company has made investments in Euro and US Dollar denominated funds. On 31 December 2023, BOOK had outstanding commitments to three fund investments denominated in EUR and USD totalling £2.5m. There is therefore a risk from fluctuations in GBP: Euro and USD: GBP rates. The Investment Manager considers these factors 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:

FX changes	**31 December 2023**		**31 December 2022**	
	% change in NAV	**NAV**	**% change in NAV**	**NAV**
No change	-	301,086,680	-	252,691,067
10% favourable change	0.30%	302,007,759	0.35%	253,585,710
10% unfavourable change	(0.30)%	300,165,602	(0.35)%	251,796,424

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

FX changes	**31 December 2023**		**31 December 2022**	
	% change in profit	**Profit in period**	**% change in profit**	**Profit in period**
No change	-	48,204,613	-	62,478,510
10% favourable change	1.91%	49,125,692	1.43%	63,373,153
10% unfavourable change	(1.91)%	47,283,534	(1.43)%	61,583,867

Interest rate risk

At the end of the period, the Company had £9.4m drawn from its £30m Revolving Credit Facility ("RCF"), with the interest costs floating and linked to SONIA. The Directors and Investment Manager monitor the SONIA rate and consider this and the total interest costs of the facility prior to making any drawdown.

Interest rates rising is not considered a material risk, given that the level of leverage the Company typically has is relatively small; the drawn balance of the RCF at year end amounted to 3.1% of the Company's Net Assets. The RCF can be repaid at any time, which the Company may choose to do in an environment of rising interest rates.

Interest rates being lowered is also not considered a risk, given interest income received by the Trust is low, given the levels of cash the Company has, as well as the already low rates of interest earnt on these balances.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

27. Related party transactions

Two Directors of the Company are designated members of Book Asset Management LLP ("BAM").

Total expenses through the statement of comprehensive income with BOOK during the period was £2,759,450 (31 December 2022: £1,879,485). 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 £203,400 (31 December 2022: £510,061).

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 £1,672,581 (31 December 2022: £1,645,582). The Company has an accrual for charity and other donation payments amounting to £3,321,008 (31 December 2022: £2,279,139). Out of this accrual, certain donations will be made to Bookmark Reading Trading Limited and Bookmark Reading Charity.

28. Capital Commitments

Further capital commitments of €1,609,464 (31 December 2022: €2,366,333), £130,015 (31 December 2022: £294,530) and $1,200,000 (31 December 2022: $1,200,000) remain outstanding and are yet to be drawn down.

29. Subsequent events

BOOK has not made any new platform investment since the period end. Since 31 December 2023, the Company made £3.5 million of incremental investments into six existing portfolio companies. Further investment into five of the portfolio companies was to provide additional funding to support the businesses' growth plans, whilst the sixth investment was to acquire additional equity in the business. These are all non-adjusting events at 31.12.2023.

30. Ultimate controlling party

Literacy Capital plc does not have an ultimate controlling party.

Alternative Performance Measures (unaudited)

As well as financial performance, the Board of Directors and Investment Manager monitor Alternative Performance Measures. An APM is a numerical measure of the Company's historical or current performance. The following APMs are typically used within the investment trust sector to provide additional information to help assess performance.

Diluted NAV and NAV per share

The 31 December 2023 NAV and NAV per share reported within 'Performance Highlights' on page 3, and 'Strategic Report' from page 6 includes an adjustment to the net asset value to take account for the dilutive impact of warrants in issue, calculated on a straight-line basis over the vesting period of the warrants.

	31 December 2023	31 December 2022
	£	£
Net Asset Value (see statement of financial position, page 51)	301,086,680	252,691,067
Proceeds from warrants vesting	813,357	283,965
Net Asset Value for diluted NAV per share calculation	**301,900,037**	**252,975,031**
Ordinary shares in issue (see note 21)	60,000,000	60,000,000
Additional shares issued from warrants vesting	329,269	149,224
Total shares for diluted NAV per share calculation	**60,329,269**	**60,149,224**
Diluted Net Asset Value per share	**5.004**	**4.206**

Diluted NAV per share of £5.004 multiplied by 60,000,000 ordinary shares = diluted NAV of £300.3m at 31.12.23

Total Return

Share price and NAV total returns show how the share price and NAV have performed over the twelve-month period to 31 December 2023.

	Share price mid-point	NAV per share[1]
Opening at 1 January 2023	368.0p	420.6p
Closing at 31 December 2023	480.0p	500.4p
Change in twelve months to 31 December 2023	30.4%	19.0%
Dividends declared or paid	-	-
Total return in twelve months to 31 December 2023	**30.4%**	**19.0%**

The following table shows the total returns in the previous nine-month period to 31 December 2022.

	Share price mid-point	NAV per share[1]
Opening at 1 April 2022	297.0p	320.0p
Closing at 31 December 2022	368.0p	420.6p
Change in nine months to 31 December 2022	23.9%	31.4%
Dividends declared or paid	-	-
Total return in nine months to 31 December 2022	**23.9%**	**31.4%**

[1] The calculation of the NAV per share figures is shown above under 'Diluted NAV and NAV per share'

Alternative Performance Measures (unaudited)

Share Price Premium or Discount

The table below shows the amount by which the share price mid-point is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

	31 December 2023[1]	31 December 2022[1]
Share price mid-point	480.0p	368.0p
NAV per share	500.4p	420.6p
Share price premium or (discount)	**(4.1%)**	**(12.5%)**

[1] The calculation of the NAV per share figures is shown above under 'Diluted NAV and NAV per share'

Ongoing Charges

The ongoing charges are calculated in line with guidance issued by the Association of Investment Companies ('AIC') and capture management fees and expenses, which are operational and recurring by nature but excluding finance costs, incurred by the Company. The calculation does not include the expenses or management fees incurred by any underlying funds or portfolio companies. As a result of BOOK holding investment trust status since 1 April 2022, irrecoverable VAT on the investment management fee in the first three months of 2022 has been removed for comparability, as this is no longer recurring.

The calculation is based on the ongoing charges expressed as a percentage of the average quarterly NAV figures published during the twelve-month period to 31 December 2023.

BOOK's ongoing charges, excluding the 0.9% annual charitable donation provision, were calculated as 1.11% (31 December 2022: 1.33%).

BOOK's ongoing charges, including the 0.9% annual charitable donation provision, were calculated as 2.05% (31 December 2022: 2.41%).

BOOK's investment management fees and charitable donation are calculated as 0.9% of net assets at the end of the financial period, which allows these costs to be calculated based on audited net asset figures, rather than unaudited quarterly figures. This translates into slightly higher ongoing charges and donations, compared to the AIC's suggested calculation which uses average net assets in the period, if net assets grow in the period.

Additional Information (unaudited)

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.

Additional Information (unaudited)

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.

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.

AIFM Statement (unaudited)

Periodic Disclosures

Book Asset management ("BAM") has served as the Alternative Investment Fund Manager since 1 April 2020. BAM 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 26 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 BAM.

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 on 31 December 2023:

	Gross method	Commitment Method
Maximum level of leverage	120%	120%
Actual level at 31 December 2023	105%	105%

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 twelve-month period to 31 December 2023. 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). Book Asset Management LLP is authorised as an Alternative Investment Fund Manager (AIFM) for the purpose of managing the Company.

As an authorised AIFM, Book 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 Book Asset Management LLP is straightforward. The Members are paid a fixed competitive priority profit share by Book 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 38.

The Designated Members are each also paid a fixed proportion of Book 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 Book 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
Kevin Dady (resigning on 31 March 2024)
Simon Downing
Christopher Sellers
Rachel Murphy

Registered Number
10976145

Registered Office
3rd Floor, Charles House
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London
SW1Y 4LR

Service Providers

Investment Manager
Book Asset Management LLP

Company Secretary
Book Asset Management LLP

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

Administrator
EPIC Administration Limited
Audrey House
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London
EC1N 6SN

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

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

Independent Auditor
Mazars LLP
30 Old Bailey
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EC4M 7AU

Bankers
Santander UK plc
2 Triton Square
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NW1 3AN

Depositary
Indos Financial Limited
The Scalpel
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52 Lime Street
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EC3M 7AF

Shareholder Information

2024 Key Dates

March	Audited report and financial statements published
June	Company's half year-end
September	Half-yearly results published
December	Company's year end

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 Audited and Interim 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 81).