

# British Smaller Companies VCT2 plc

A blue circular graphic with a white border containing the text 'Interim Report' and 'for the six months ended 30 June 2015'. The background of the cover features large, overlapping circles in shades of purple, orange, and grey.

## Interim Report

for the  
six months ended  
30 June 2015

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# FINANCIAL CALENDAR

<b>Results Announced</b>	<b>14 August 2015</b>
<b>Ex-Dividend Date</b>	<b>27 August 2015</b>
<b>Record Date</b>	<b>28 August 2015</b>
<b>DRIS Election Date</b>	<b>14 September 2015</b>
<b>Dividend Paid</b>	<b>28 September 2015</b>

# FINANCIAL HIGHLIGHTS



**108.5**  
pence

## 108.5p Total Return

The Company's total return has increased by 2.1 pence per ordinary share from 106.4 pence per ordinary share as at 31 December 2014. This includes cumulative dividends paid of 46.0 pence per ordinary share.



**£33.2**  
million

## £33.2 million Investment Value

The investment portfolio has increased to £33.2 million at 30 June 2015, from £28.2 million at 31 December 2014 including a value gain of £1.7 million, a 5.9 per cent increase over opening value.



**3.3%**  
increase

## 3.3% Net Asset Value Increase

Your Company continues to make progress with a 2.1 pence increase in net asset value per share ("NAV") to 65.0 pence per ordinary share prior to the payment of dividends during the period totalling 2.5 pence per ordinary share. This growth was 3.3 per cent of the opening NAV of 62.9 pence per ordinary share.



**46.0**  
pence

## 46.0p Cumulative Dividends Paid

A final dividend of 2.5 pence per ordinary share in respect of the year ended 31 December 2014 (year ended 31 December 2013: 2.5 pence per ordinary share) was paid on 8 June 2015 taking cumulative dividends paid since the Company's inception to 46.0 pence per ordinary share.



**91%**  
qualifying

## High Qualifying Investments Ratio

91 per cent invested in qualifying holdings giving significant headroom relative to the minimum 70 per cent VCT tax rule test, providing significant resilience to withstand the current period of uncertainty due to changes in VCT investment rules.

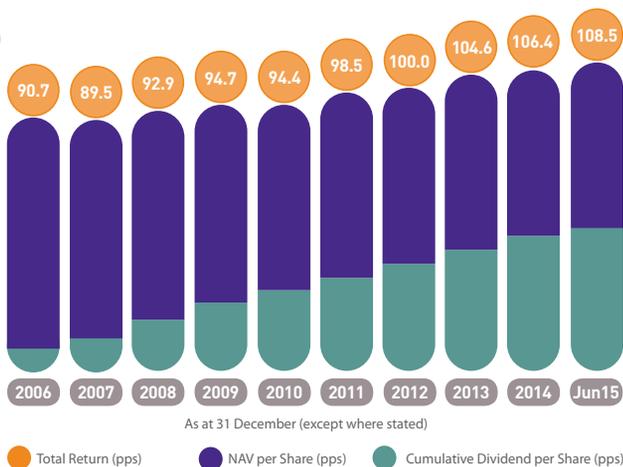
# FINANCIAL SUMMARY

for the six months ended 30 June 2015

A recognised benchmark of financial performance in the VCT industry is total return (expressed in pence per share) calculated by adding the total cumulative dividends paid to shareholders from the date a company is launched to its current reporting date, inclusive of any tax credits, to the net asset value at that date.

The charts below show how the total return of your Company, calculated by reference to the net asset value per ordinary share plus cumulative dividends paid per ordinary share of 46.0 pence per share, has developed over the last ten years.

## Total Return



## Dividends Paid



## CHAIRMAN'S STATEMENT

**The stable performance of the UK economy of 2014 has continued into the current year notwithstanding that since my last Statement at the end of March we have seen a General Election and a second budget.**

The Company's portfolio has continued to perform well against this backdrop. The overall value of your Company's investments has increased by 5.9 per cent since the start of the year despite there being trading challenges for those exporting to Europe where businesses have had to increase trading volumes to counteract the effects of a strong pound. The Company's larger and more diversified portfolio has also continued to deliver an increasing level of income. Overall the total return to shareholders has increased by 2.1 pence per ordinary share.

A further two new investments have been added to the portfolio in this period, these being Scottish based womenswear brand Ness (Holdings) Limited and AIM listed Gooch & Housego plc, amounting to, in aggregate, £1.4 million.

### Proposed Regulatory Changes

There are a number of proposed changes emanating from the Summer budget that may restrict the pool of investments available to the VCT industry as a whole. The detailed legislation relating to these changes is in the process of being drafted and is expected to be finalised in the autumn. The board is keeping these changes under review and will appraise shareholders in due course.

In the meantime there is still an encouraging pipeline of investment opportunities reflecting the strong demand for equity funding among smaller UK businesses which we are progressing, although we might expect some slowing down in gaining HMRC approval for transactions until the new legislation is finalised.



## Financial Results and Dividends

In the six months to 30 June 2015 the Company's total return increased by 2.1 pence per ordinary share from 106.4 pence per ordinary share at 31 December 2014 to 108.5 pence per ordinary share. This equates to an increase of 3.3 per cent on the opening net assets value at 31 December 2014.

Significant progress has been made by many of the portfolio companies resulting in a value gain of £1.66 million, representing a 5.9 per cent increase over the opening value and equivalent to an increase in value for shareholders of 1.9 pence per ordinary share. The increased income generation from the existing portfolio contributed a further £0.35 million gain net of costs, equivalent to 0.4 pence per ordinary share.

During the period a final dividend in respect of the year ended 31 December 2014 of 2.5 pence per

ordinary share was paid, bringing the cumulative dividends paid to date to 46.0 pence per ordinary share.

Your Board remains committed to achieving the objective of a consistent and, where possible, increasing dividend stream over time whilst seeking to maintain capital value. For the period to 30 June 2015 the Board has proposed an interim dividend of 2.0 pence per ordinary share, taking dividends paid over the last year to 4.5 pence per ordinary share, the same as last year, representing 7.2 per cent of net assets per share. It is intended that of the total interim dividend 0.48 pence per ordinary share will be paid from revenue reserves and 1.52 pence per ordinary share from capital reserves, representing unrealised gains. The interim dividend will be paid on 28 September 2015 to shareholders on the register at 28 August 2015.

### Net Asset Value

	Pence per ordinary share	£000
NAV at 31 December 2014	62.9	39,333
Net underlying increase in portfolio	1.9	1,656
Net income	0.4	350
Buy-backs	-	(123)
Issue of new shares	(0.2)	15,077
	2.1	16,960
Dividends paid	(2.5)	(2,153)
	(0.4)	14,807
NAV at 30 June 2015	62.5	54,140
Cumulative dividends paid	46.0	
<b>Total Return</b>	<b>108.5</b>	

## Shareholder Relations

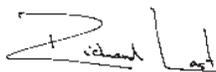
As part of its review of costs, and in line with current Environmental, Social & Corporate Governance, the Company is committed to promoting electronic communications with shareholders. The Board has decided to implement an electronic communications policy, whereby documents such as the annual report will in future be disseminated via the website [www.bscfunds.com](http://www.bscfunds.com) rather than by post. This will save on printing costs and be more environmentally friendly. Further details have been included in the letter which accompanied the recent quarterly shareholder update.

In addition we are refreshing the Company's website. The emphasis being on providing a comprehensive level of information in a user-friendly format.

## Outlook

Good progress continues to be made across the portfolio to position businesses to grow and realise shareholder value. The growth in income generation from the portfolio has added further resilience to future investment returns.

The recent budget announcements have introduced uncertainty in the processing of advanced assurances from HMRC in the short term which is expected to resolve later in the year. Whilst it does seem that for the VCT industry as a whole there may be some reduction in the overall pool of investments, your Company has available funds to invest and a strong pipeline of opportunities which comply with the new draft VCT regulations. We will continue to take a cautious approach to protect the tax status of investors and maintain our strong long-term investment record.



**Richard Last**

Chairman

14 August 2015

## OBJECTIVES AND STRATEGY

The Company's objective is to provide investors with an attractive long-term tax free dividend yield whilst seeking to maintain and build the capital value of their investment and maintain the Company's status as a venture capital trust.

The investment strategy of the Company is to create a portfolio with a mix of companies operating in traditional industries and those that offer opportunities in the development and application of innovation. The Company invests in UK businesses across a broad range of sectors including but not limited to Software, IT & Telecommunications, Business Services, Manufacturing & Industrial Services, Retail & Brands and Healthcare in VCT qualifying and non-qualifying unquoted and AIM traded securities.

## INVESTMENT REVIEW

The Company has continued to diversify its portfolio which at 30 June 2015 had a value of £33.2 million consisting of £30.5 million (91.8 per cent) in unquoted investments and £2.7 million (8.2 per cent) in quoted investments. The strategy to increase the portfolio diversity is signified insofar as the largest single investment represents just 5.4 per cent of the net asset value.

Over the six months to 30 June 2015 the portfolio saw an underlying value gain of £1.66 million with good progress being made across a number of companies. The most significant movements in valuations in the period were:

- Intelligent Office (via IO Outsourcing Limited) (value gain of £0.56 million) following strong profit growth and new contract wins in the first years following investment.
- TeraView Limited (value gain of £0.49 million) which closed a \$10 million funding round including a new investment from a US trade investor.
- GTK (Holdco) Limited (value gain of £0.18 million) delivered another year of sales and profit growth with a focus on gradually building average order value, and
- AB Dynamics plc (value gain of £0.17 million) saw further growth and received planning permission for its factory expansion plans.

## New and Follow-on Investments

In the six months to 30 June 2015 the Company has completed 2 new investments totalling £1.40 million as set out in the table below.

Manufacturing and Industrial Services



Retail and Brands



Software, IT and Telecommunications



Healthcare



Business Services



Name of Company	Business	Date of Investment	Amount invested (£m)
 <b>Gooch &amp; Housego plc</b>	Manufacturing and Industrial services	January 2015	0.40
<p>Gooch &amp; Housego is a manufacturer of precision optical components and sub-systems, as well as light measurement instrumentation and services, based upon key enabling optical technologies. It designs and manufactures product for the aerospace, defense, industrial life sciences and scientific research sectors.</p>			
 <b>Ness (Holdings) Limited</b>	Retail & Brands	March 2015	1.00
<p>Ness is a womenswear lifestyle retail brand based in Edinburgh which trades through a chain of 11 profitable retail stores with an established and loyal customer base. The growth strategy is to develop the brand and retail proposition through direct sales via its website and the opening of many new stores throughout the UK.</p>			

The Company also made a follow-on investment of £0.26 million in March 2015 into Brady plc.

As at 30 June 2015 the Company had approved £1.30 million of investment by way of follow-on and new investment.

## Realisation of Investments

During the six months to 30 June 2015 the Company received cash proceeds of £0.51 million relating to the repayment of capital from the Company's loan portfolio, and £0.32 million from the sale of quoted shareholdings.

# INVESTMENT PORTFOLIO

The top 10 investments had a combined value of £16.3 million, 49.2 per cent of the total portfolio.

Name of Company	Date of initial investment	Current cost	Realised proceeds to date	Investment Valuation at 30 June 2015	Valuation plus proceeds to date
		£000	£000	£000	£000



## Intelligent Office (via IO Outsourcing Limited)

May 14	1,956	-	2,918	2,918
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Intelligent Office is a leading provider of process outsourcing solutions to UK legal practices. The Managed Services division works within firms' own premises to help them transform and manage key administrative functions and secretarial services.

*Alloa - [www.intelligentofficeuk.com](http://www.intelligentofficeuk.com)*



## Mangar Health Limited

Jan 14	1,640	-	2,082	2,082
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Mangar is a world leader in inflatable lifting and handling and bathing equipment for the elderly, disabled and emergency services markets. It distributes its products to care providers, local authorities, ambulance services and care homes. Products facilitate extended independence for elderly users.

*Powys - [www.mangar.co.uk](http://www.mangar.co.uk)*



## DisplayPlan Holdings Limited

Jan 12	292	531	1,822	2,353
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DisplayPlan provides retail display solutions from design to finished product delivery to branded product manufacturers and UK retailers. Strong profits have been achieved since investment with an emphasis on continuing to broaden its customer base.

*Baldock - [www.displayplan.com](http://www.displayplan.com)*



## Gill Marine Holdings Limited

Sep 13	1,870	-	1,783	1,783
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Gill Marine is a manufacturer of technical sailing equipment and clothing and the official technical clothing sponsor for the internationally renowned Cowes Week Regatta. Exports account for over 70 per cent of turnover. The strategy is to develop the brand further and increase its share in existing and new markets.

*Nottingham - [www.gillmarine.com](http://www.gillmarine.com)*

Name of Company	Date of initial investment	Current cost	Realised proceeds to date	Investment Valuation at 30 June 2015	Valuation plus proceeds to date
		£000	£000	£000	£000


**GTK (Holdco) Limited**

Oct 13	813	337	1,446	1,783
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GTK is a manufacturer of cable assemblies, connectors, optoelectronics and manufacturing solutions for high technology customers. With a small sourcing team in Taiwan it provides design, procurement and manufacturing services of essential but non-core electronic components for customers in sectors such as precision instrumentation, defence/security and contract equipment manufacturing.

Basingstoke - [www.gtk.co.uk](http://www.gtk.co.uk)


**ACC Aviation  
(via Newacc (2014)  
Limited)**

Nov 14	1,379	-	1,379	1,379
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With annual sales of over £50 million, ACC Aviation has built an excellent reputation for providing services to clients across the world in all aspects of aircraft leasing, charter and flight management. The airline industry continues to change at a fast pace as passenger demand grows and air travel expands across the globe. ACC Aviation has built an excellent reputation and is well placed to deliver further growth.

Reigate - [www.flyacc.com](http://www.flyacc.com)


**Business  
Collaborator  
Limited**

Nov 14	1,340	-	1,340	1,340
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Business Collaborator is an established provider of collaboration software to the construction sector and a leader in the nascent Building Information Modelling ("BIM") software market. It provides a centralised Common Data Environment that is fully auditable enabling geographically dispersed teams to store and share project information and processes securely in the Cloud. Sales growth is driven by the products ability to deliver cost savings to its customer base of construction firms and asset owners, supported by government regulations.

Reading - [www.groupbc.com](http://www.groupbc.com)

## Investment Portfolio (continued)

Name of Company	Date of initial investment	Current cost £000	Realised proceeds to date £000	Investment Valuation at 30 June 2015 £000	Valuation plus proceeds to date £000
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### Harvey Jones Holdings Limited

May 07	1,193	-	1,211	1,211
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Harvey Jones is a manufacturer and retailer of kitchen furniture with showrooms in London and affluent provincial towns across the UK. The business has continued to open new showrooms, increasing its footprint from 10 at the time of the Company's initial investment to 31 currently and significantly increasing its market share. The team believes there are still a significant number of possible store locations to continue the successful rollout model.

London - [www.harveyjones.com](http://www.harveyjones.com)



### Springboard Research Holdings Limited

Oct 14	1,186	-	1,186	1,186
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Springboard Research is a leading provider of retail performance monitoring: providing footfall, dwell time and conversion rates, sales analysis and driven insights. It is the official provider of footfall data and benchmarks to the British Retail Consortium, Shopping Centre Magazine and Drapers Magazine this year. A continually shifting retail environment means that retailers and landlords are seeking new ways of improving their competitive advantage.

Milton Keynes - [www.spring-board.info](http://www.spring-board.info)



### Cambrian Park & Leisure Homes Limited (via DWFCO 8 Limited)

Oct 14	1,167	33	1,167	1,200
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Based in Porthmadog, North Wales, Cambrian designs and builds timber holiday lodges for the UK holiday park market. In the past two years turnover has increased by over 30 per cent through new contract wins with a wide range of holiday park operators and with a strong reputation for quality and an established product range the business is well placed to continue this growth.

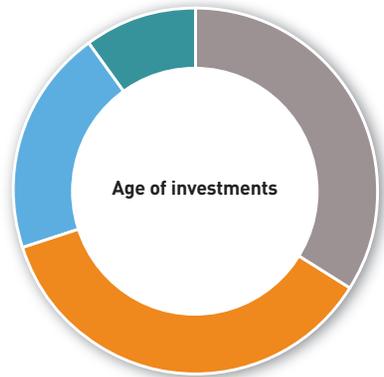
Gwynedd - [www.cambrianleisurehomes.co.uk](http://www.cambrianleisurehomes.co.uk)

Name of Company		Date of initial investment	Current cost £000	Realised proceeds to date £000	Investment Valuation at 30 June 2015 £000	Valuation plus proceeds to date £000
<b>Top 10 Investments</b>			<b>12,836</b>	<b>901</b>	<b>16,334</b>	<b>17,235</b>
<b>Remaining Unquoted Portfolio</b>						
Manufacturing	The Heritage Window Company Holdco Limited	Sep 14	1,268	-	1,142	1,142
Manufacturing	Leengate Holdings Limited	Dec 13	934	-	1,100	1,100
Retail	Ness (Holdings) Limited	Mar 15	1,000	-	1,000	1,000
Telecoms	Seven Technologies Holdings Limited	Apr 12	1,238	762	994	1,756
Healthcare	Immunobiology Limited	Jun 03	1,932	-	987	987
Business Services	Macro Art Holdings Limited	Jun 14	783	56	842	898
Telecoms	Intamac Systems Limited	Jun 14	750	-	750	750
Telecoms	Callstream Group Limited	Sep 10	329	265	737	1,002
Manufacturing	Wakefield Acoustics (via Malvar Engineering Limited)	Dec 14	720	-	720	720
Telecoms	Power Oasis Limited	Nov 11	594	-	594	594
Retail/Manufacturing	Bagel Nash Group Limited	Jul 11	694	133	561	694
Telecoms	Insider Technologies (Holdings) Limited	Aug 12	780	-	536	536
Other investments	£0.5 million and below		3,792	349	4,169	4,518
<b>Total unquoted investments</b>			<b>27,650</b>	<b>2,466</b>	<b>30,466</b>	<b>32,932</b>
<b>Quoted Portfolio</b>						
Manufacturing	AB Dynamics plc	May 13	253	163	529	692
Manufacturing	Gooch & Housego plc	Jan 15	397	-	525	525
Telecoms	Brady plc	Dec 10	398	-	507	507
Other investments	£0.5 million and below		1,194	707	1,175	1,882
<b>Total quoted investments</b>			<b>2,242</b>	<b>870</b>	<b>2,736</b>	<b>3,606</b>
<b>Total Portfolio</b>			<b>29,892</b>	<b>3,336</b>	<b>33,202</b>	<b>36,538</b>
Full disposals to date			16,625	22,653	-	22,653
<b>Total Investment portfolio</b>			<b>46,517</b>	<b>25,989</b>	<b>33,202</b>	<b>59,191</b>

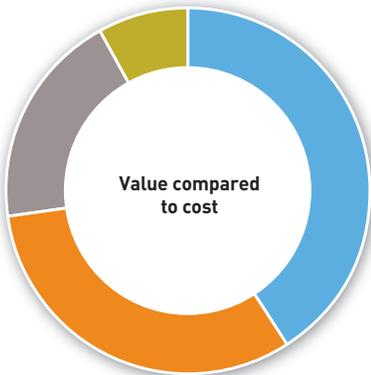
# OUR PORTFOLIO AT A GLANCE



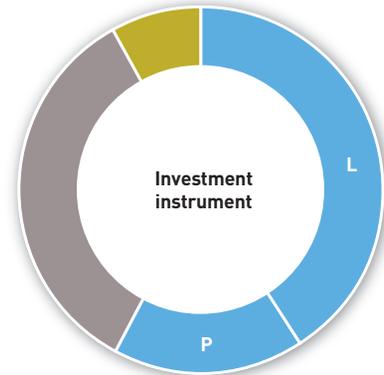
- Business Services – 26%
- Manufacturing and Industrial – 25%
- Healthcare – 12%
- Software, IT and Telecommunications – 23%
- Retail and Brands – 14%



- Less than 1 year – 34%
- Between 1 and 3 years – 36%
- Between 3 and 5 years – 20%
- Greater than 5 years – 10%



- Value above cost – 41%
- At cost – 32%
- Value below cost – 19%
- Quoted Companies – 8%



- L Loan – 41%
- P Preference shares – 17%
- Ordinary Shares – 34%
- Quoted companies – 8%

## PRINCIPAL RISKS AND UNCERTAINTIES

In accordance with DTR 4.2.7, the Board confirms that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Accounts for the year ended 31 December 2014. The Board acknowledges that there is regulatory risk and continues to manage the Company's affairs in such a manner as to comply with section 274 Income Tax Act 2007.

In summary, the principal risks are:

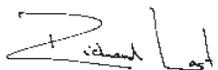
- Loss of approval as a Venture Capital Trust;
- Economic;
- Investment and strategic;
- Regulatory;
- Reputational;
- Operational;
- Financial;
- Market/liquidity.

Full details of the principal risks can be found in the financial statements for the year ended 31 December 2014 on pages 30 and 31, a copy of which is available at [www.bscfunds.com](http://www.bscfunds.com).

## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors of British Smaller Companies VCT2 plc confirm that, to the best of their knowledge, the condensed set of financial statements in this interim report have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU, and give a fair view of the assets, liabilities, financial position and profit and loss of British Smaller Companies VCT2 plc, and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The directors of British Smaller Companies VCT2 plc are listed in note 9 of these interim financial statements.



**Richard Last**  
Chairman

14 August 2015

# UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2015

	Notes	Unaudited 6 months ended 30 June 2015			Unaudited 6 months ended 30 June 2014		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain (loss) on investments held at fair value		-	1,709	1,709	-	(336)	(336)
(Loss) gain on disposal of investments		-	(53)	(53)	-	347	347
Income	2	965	-	965	543	-	543
<b>Total income</b>		<b>965</b>	<b>1,656</b>	<b>2,621</b>	543	11	554
Administrative expenses:							
Investment adviser's fee		(98)	(295)	(393)	(75)	(225)	(300)
Other expenses		(222)	-	(222)	(196)	-	(196)
<b>Total expenses</b>		<b>(320)</b>	<b>(295)</b>	<b>(615)</b>	(271)	(225)	(496)
<b>Profit (loss) before taxation</b>		<b>645</b>	<b>1,361</b>	<b>2,006</b>	272	(214)	58
Taxation	3	(76)	76	-	(1)	1	-
<b>Profit (loss) for the period</b>		<b>569</b>	<b>1,437</b>	<b>2,006</b>	271	(213)	58
<b>Total comprehensive income (expense) for the period</b>		<b>569</b>	<b>1,437</b>	<b>2,006</b>	271	(213)	58
<b>Basic and diluted earnings (loss) per ordinary share</b>	5	<b>0.72p</b>	<b>1.81p</b>	<b>2.53p</b>	0.51p	(0.40p)	0.11p

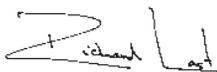
The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs'). The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP') 2014 published by the Association of Investment Companies.

# UNAUDITED BALANCE SHEET

as at 30 June 2015

	Notes	Unaudited 30 June 2015 £000	Unaudited 30 June 2014 £000	Audited 31 December 2014 £000
<b>Assets</b>				
<b>Non-current assets</b>				
Financial assets at fair value through profit or loss	6	33,202	20,663	28,216
Trade and other receivables		572	297	417
		<b>33,774</b>	20,960	28,633
<b>Current assets</b>				
Trade and other receivables		467	572	314
Cash on fixed term deposit		6,000	4,500	-
Cash and cash equivalents		14,078	13,415	10,633
		<b>20,545</b>	18,487	10,947
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(179)	(117)	(247)
<b>Net current assets</b>		<b>20,366</b>	18,370	10,700
<b>Net assets</b>		<b>54,140</b>	39,330	39,333
<b>Shareholders' equity</b>				
Share capital		8,881	6,411	6,447
Share premium account		13,079	13,736	342
Capital redemption reserve		88	88	88
Other reserve		2	2	2
Merger reserve		5,525	5,525	5,525
Capital reserve		22,324	13,383	24,822
Investment holding gains and losses		3,340	(158)	1,507
Revenue reserve		901	343	600
<b>Total shareholders' equity</b>		<b>54,140</b>	39,330	39,333
<b>Net asset value per ordinary share</b>	7	<b>62.5p</b>	63.2p	62.9p

Signed on behalf of the Board



**Richard Last**

Chairman  
14 August 2015

# UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015

	Share capital	Share premium account	Other reserves*	Merger reserve	Capital reserve	Investment holding gains and losses	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 December 2013</b>	<b>4,822</b>	<b>4,926</b>	<b>90</b>	<b>5,525</b>	<b>14,568</b>	<b>448</b>	<b>79</b>	<b>30,458</b>
<i>Revenue profit before taxation</i>	-	-	-	-	-	-	272	272
<i>Capital expenses</i>	-	-	-	-	(225)	-	-	(225)
<i>Investment holding loss on investments held at fair value</i>	-	-	-	-	-	(336)	-	(336)
<i>Realisation of investments</i>	-	-	-	-	347	-	-	347
<i>Taxation</i>	-	-	-	-	1	-	(1)	-
Total comprehensive income (expense) for the period	-	-	-	-	123	(336)	271	58
<i>Issue of ordinary share capital</i>	1,551	9,200	-	-	-	-	-	10,751
<i>Issue of shares - DRIS</i>	38	191	-	-	-	-	-	229
<i>Issue costs of ordinary shares</i>	-	(581)	-	-	-	-	-	(581)
<i>Purchase of own shares</i>	-	-	-	-	(36)	-	-	(36)
<i>Dividends</i>	-	-	-	-	(1,542)	-	(7)	(1,549)
Total transactions with owners	1,589	8,810	-	-	(1,578)	-	(7)	8,814
Realisation of negative goodwill	-	-	-	-	13	(13)	-	-
Realisation of prior year investment holding gains	-	-	-	-	257	(257)	-	-
<b>At 30 June 2014</b>	<b>6,411</b>	<b>13,736</b>	<b>90</b>	<b>5,525</b>	<b>13,383</b>	<b>(158)</b>	<b>343</b>	<b>39,330</b>
<i>Revenue profit before taxation</i>	-	-	-	-	-	-	425	425
<i>Capital expenses</i>	-	-	-	-	(296)	-	-	(296)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	447	-	447
<i>Realisation of investments</i>	-	-	-	-	523	-	-	523
<i>Taxation</i>	-	-	-	-	6	-	(6)	-
Total comprehensive income for the period	-	-	-	-	233	447	419	1,099
<i>Issue of shares - DRIS</i>	36	171	-	-	-	-	-	207
<i>Issue costs</i>	-	(10)	-	-	-	-	-	(10)
<i>Purchase of own shares</i>	-	-	-	-	(39)	-	-	(39)
<i>Dividends</i>	-	-	-	-	(1,083)	-	(162)	(1,245)
<i>Cancellation of share premium account – net of costs</i>	-	(13,555)	-	-	13,546	-	-	(9)
Total transactions with owners	36	(13,394)	-	-	12,424	-	(162)	(1,096)
Realisation of prior year investment holding losses	-	-	-	-	(1,218)	1,218	-	-
<b>At 31 December 2014</b>	<b>6,447</b>	<b>342</b>	<b>90</b>	<b>5,525</b>	<b>24,822</b>	<b>1,507</b>	<b>600</b>	<b>39,333</b>

## Unaudited Statement of Changes in Equity (continued)

for the six months ended 30 June 2015

	Share capital	Share premium account	Other reserves*	Merger reserve	Capital reserve	Investment holding gains and losses	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 December 2014</b>	<b>6,447</b>	<b>342</b>	<b>90</b>	<b>5,525</b>	<b>24,822</b>	<b>1,507</b>	<b>600</b>	<b>39,333</b>
<i>Revenue profit before taxation</i>	-	-	-	-	-	-	645	645
<i>Capital expenses</i>	-	-	-	-	(295)	-	-	(295)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	1,709	-	1,709
<i>Realisation of investments</i>	-	-	-	-	(53)	-	-	(53)
<i>Taxation</i>	-	-	-	-	76	-	(76)	-
Total comprehensive (expense) income for the period	-	-	-	-	(272)	1,709	569	2,006
<i>Issue of ordinary share capital</i>	2,366	13,056	-	-	-	-	-	15,422
<i>Issue of shares - DRIS</i>	68	329	-	-	-	-	-	397
<i>Issue costs of ordinary shares</i>	-	(648)	-	-	(94)	-	-	(742)
<i>Purchase of own shares</i>	-	-	-	-	(123)	-	-	(123)
<i>Dividends</i>	-	-	-	-	(1,885)	-	(268)	(2,153)
Total transactions with owners	2,434	12,737	-	-	(2,102)	-	(268)	12,801
Realisation of prior year investment holding losses	-	-	-	-	(124)	124	-	-
<b>At 30 June 2015</b>	<b>8,881</b>	<b>13,079</b>	<b>90</b>	<b>5,525</b>	<b>22,324</b>	<b>3,340</b>	<b>901</b>	<b>54,140</b>

\*Other reserves include the capital redemption reserve and the other reserve

**Unaudited Statement of Changes in Equity (continued)**  
for the six months ended 30 June 2015

**Reserves available for distribution**

Under the Companies Act 2006 the capital reserve and the revenue reserve are distributable reserves. The table below shows amounts that are available for distribution.

	Capital reserve £000	Revenue reserve £000	Total £000
<b>Distributable reserves as above</b>	<b>22,324</b>	<b>901</b>	<b>23,225</b>
<i>Less : Interest not yet distributable</i>	-	(487)	(487)
<i>: Deferred proceeds</i>	(85)	-	(85)
<i>: Cancelled share premium not yet distributable</i>	(1,343)	-	(1,343)
<b>Reserves available for distribution**</b>	<b>20,896</b>	<b>414</b>	<b>21,310</b>

\*\* The revenue reserve of £414,000 is only distributable once these interim financial statements are filed at Companies House.

The capital reserve (£22,324,000) and the revenue reserve (£901,000) are both distributable reserves. These reserves total £23,225,000 (30 June 2014: £13,726,000 and 31 December 2014: £25,422,000), representing a decrease of £2,197,000 in the period since 31 December 2014 (30 June 2014: £921,000 decrease). The directors also take into account the level of investment holding gains (losses) reserve and the future requirements of the Company when determining the level of dividend payments.

Of the potentially distributable reserves of £23,225,000 shown above, £487,000 (2014: £182,000) relates to interest receivable in 2018 and 2019, £85,000 (2014: £115,000) of deferred proceeds receivable in 2016, and £1,343,000 of share premium (2014: Nil) which becomes distributable from 1 January 2018.

On filing these interim financial statements at Companies House, the reserves available for distribution will be £21,310,000.

# UNAUDITED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2015

	Unaudited 6 months ended 30 June 2015 £000	Unaudited 6 months ended 30 June 2014 £000	Audited year ended 31 December 2014 £000
<b>Net cash inflow / (outflow) from operating activities</b>	<b>209</b>	<b>(262)</b>	<b>(293)</b>
<b>Cash flows from investing activities</b>			
Purchase of financial assets at fair value through profit or loss	<b>(4,161)</b>	(5,978)	(14,071)
Proceeds from sale of financial assets at fair value through profit or loss	<b>582</b>	2,114	3,679
Deferred consideration	<b>14</b>	-	345
Cash placed on fixed term deposit	<b>(6,000)</b>	-	-
Cash received back from fixed term deposit	<b>-</b>	-	4,500
<b>Net cash outflow from investing activities</b>	<b>(9,565)</b>	<b>(3,864)</b>	<b>(5,547)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	<b>15,126</b>	10,509	10,510
Costs of ordinary share issues	<b>(446)</b>	(328)	(350)
Purchase of own shares	<b>(123)</b>	-	(75)
Dividends paid	<b>(2,153)</b>	(1,549)	(2,719)
Shares issued under DRIS	<b>397</b>	229	436
Share premium cancellation costs	<b>-</b>	-	(9)
<b>Net cash inflow from financing activities</b>	<b>12,801</b>	<b>8,861</b>	<b>7,793</b>
Net increase in cash and cash equivalents	<b>3,445</b>	4,735	1,953
Cash and cash equivalents at the beginning of the period	<b>10,633</b>	8,680	8,680
<b>Cash and cash equivalents at the end of the period</b>	<b>14,078</b>	<b>13,415</b>	<b>10,633</b>

# EXPLANATORY NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

## 1 General information, basis of preparation and principal accounting policies

These half year statements have been approved by the directors whose names appear at note 9, each of whom has confirmed that to the best of his knowledge:

- The interim management report includes a fair review of the information required by rules 4.2.7 and 4.2.8 of the Disclosure Rules and the Transparency Rules.
- The half year statements have been prepared in accordance with IAS 34 'Interim financial reporting' and the Disclosure and Transparency Rules of the Financial Conduct Authority.

The half year statements are unaudited and have not been reviewed by the auditors pursuant to the Auditing Practices Board (APB) guidance on Review of Interim Financial Information. They do not constitute full financial statements as defined in section 435 of the Companies Act 2006. The comparative figures for the year ended 31 December 2014 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2014. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The accounting policies and methods of computation followed in the half year statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 December 2014.

The financial statements for the year ended 31 December 2014 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Where guidance set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009 ("SORP") is consistent with the requirements of IFRS, the financial statements have been prepared in compliance with the recommendations of the SORP.

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted early in these financial statements. These include amendments to IFRS 9, 10, 11 14 and 15, and amendments to IAS16, 27, 28, 32 and 38. The impact of the new accounting standards and amendments applicable to the Company is not expected to be material to the financial statements.

Going Concern: The directors have carefully considered the issue of going concern and are satisfied that the Company has sufficient resources to meet its obligations as they fall due for a period of at least twelve months from the date these half year statements were approved. As at 30 June 2015 the Company held cash balances and fixed term deposits with a combined value of £20,078,000. Cash flow projections show the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of share buy-backs and the dividend policy. The directors therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing these half year statements.

## 2 Income

	Unaudited 6 months ended 30 June 2015 £000	Unaudited 6 months ended 30 June 2014 £000
Income from investments		
- Dividends from unquoted companies	240	24
- Dividends from AIM quoted companies	24	19
	<b>264</b>	43
- Interest on loans to unquoted companies	627	421
- Fixed interest Government securities	-	7
Income from investments held at fair value through profit or loss	<b>891</b>	471
Interest on bank deposits	74	72
	<b>965</b>	543

## 3 Taxation

	Unaudited 6 months ended 30 June 2015			Unaudited 6 months ended 30 June 2014		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit (loss) before taxation	645	1,361	2,006	272	(214)	58
Profit (loss) before taxation multiplied by standard small company rate of corporation tax in UK of 20% (2014: 20%)	129	272	401	54	(43)	11
Effect of:						
UK dividends received	(53)	-	(53)	(8)	-	(8)
Non-taxable profits on investments	-	(331)	(331)	-	(2)	(2)
Excess management expenses	-	(17)	(17)	(45)	44	(1)
Tax charge (credit)	76	(76)	-	1	(1)	-

The Company has no provided, or unprovided, deferred tax liability in either period.

Deferred tax assets in respect of losses have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which the assets can be recovered.

Due to the Company's status as a venture capital trust, and the continued intention to meet the conditions required to comply with Chapter 3 Part 6 of the Income Tax Act 2007, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

## Explanatory Notes to the Unaudited Condensed Financial Statements (continued)

### 4 Dividends

Amounts recognised as distributions to equity holders in the period:

	Unaudited 6 months ended 30 June 2015			Unaudited 6 months ended 30 June 2014			Audited Year ended 31 December 2014		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final dividend for the year ended 31 December 2014 of 2.5p (2013 year end 2.5p) per ordinary share	268	1,885	2,153	7	1,542	1,549	7	1,542	1,549
Interim dividend for the year ended 31 December 2014 of 2.0p per ordinary share	-	-	-	-	-	-	162	1,083	1,245
	<b>268</b>	<b>1,885</b>	<b>2,153</b>	<b>7</b>	<b>1,542</b>	<b>1,549</b>	<b>169</b>	<b>2,625</b>	<b>2,794</b>

An interim dividend of 2.0 pence per ordinary share, amounting to approximately £1,734,000 is proposed. The dividend has not been recognised in these half year financial statements as the obligation did not exist at the balance sheet date.

### 5 Basic and Diluted Earnings (Loss) per Ordinary Share

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to equity shareholders of £2,006,000 (30 June 2014: profit of £58,000) and 79,407,872 (30 June 2014: 53,185,770) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The basic and diluted revenue earnings per ordinary share is based on the revenue profit attributable to equity shareholders of £569,000 (30 June 2014: £271,000) and 79,407,872 (30 June 2014: 53,185,770) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The basic and diluted capital earnings (loss) per ordinary share is based on the capital profit attributable to equity shareholders of £1,437,000 (30 June 2014: loss £213,000) and 79,407,872 (30 June 2014: 53,185,770) ordinary shares being the weighted average number of ordinary shares in issue during the period.

During the period the Company allotted 677,522 new ordinary shares in respect of its dividend re-investment scheme and 23,665,149 new ordinary shares under the offers for subscription with British Smaller Companies VCT plc.

The Company has repurchased 217,981 of its own shares in the period and these shares are held in the capital reserve. The total of 2,128,003 treasury shares has been excluded in calculating the weighted average number of ordinary shares during the period. The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per ordinary share are the same.

The only potentially dilutive shares are those shares which, subject to certain criteria, being achieved in the future, may be issued by the Company to meet its obligations under the Investment Advisor Agreement. No such shares have been issued or are currently expected to be issued.

## 6 Financial Assets at Fair Value through Profit or Loss

IFRS 13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level within the following fair value measurement hierarchy:

- **Level 1:** quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1 and comprise AIM quoted investments or government securities and other fixed income securities classified as held at fair value through profit or loss.
- **Level 2:** the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Company held no such instruments in the current or prior year.
- **Level 3:** the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Each investment is reviewed at least quarterly to ensure that it has not ceased to meet the criteria of the level in which it was included at the beginning of each accounting period. There have been no transfers between these classifications in the period (2014: none). The change in fair value for the current and previous year is recognised through profit or loss.

All items held at fair value through profit or loss were designated as such upon initial recognition and are subject to reoccurring valuations on at least a quarterly basis.

## 6 Financial Assets at Fair Value through Profit or Loss (continued)

### Valuation of Investments

*Initial Measurement:* Financial assets are initially measured at fair value. The best estimate of the initial fair value of a financial asset that is either quoted or not quoted in an active market is the transaction price (i.e. cost).

*Subsequent Measurement:* The International Private Equity and Venture Capital (IPEVC) Valuation Guidelines ("the Guidelines") identify six of the most widely used valuation methodologies for unquoted investments. The Guidelines advocate that the best valuation methodologies are those that draw on external, objective market based data in order to derive a fair value.

Full details of the methods used by the Company were set out on page 55 of the financial statements for the year ended 31 December 2014, a copy of which can be found at [www.bscfunds.com](http://www.bscfunds.com). Where investments are in quoted stocks, fair value is set at the market price.

The primary methods used for valuing non-quoted investments, and the key assumptions relating to them are:

- **Price of recent investment, reviewed for changes in fair value:** the cost of the investment, adjusted for background factors specific to the investment, is taken as a reasonable assessment of the fair value for a period of up to one year. During this period performance is monitored for evidence of changes to this initial fair value. Valuations may be re-based following substantial investment by a third party when this offers evidence that there has been a change to fair value.
- **Earnings multiple:** The appropriate sector FTSE® multiples are used as a market-based indication of the enterprise value of an investment company. A discount is applied to the multiple based on perceived market interest in that company or sector and on any benefit that may be observed by holding a significant shareholding or superior rights.

Movements in investments at fair value through profit or loss during the six months to 30 June 2015 are summarised as follows:

IFRS 13 measurement classification	Level 3 Unquoted Investments £000	Level 1 Quoted Equity Investments £000	Total Investments £000
Opening cost	24,593	2,146	26,739
Opening valuation gain (loss)	1,495	(18)	1,477
<b>Opening fair value at 1 January 2015</b>	<b>26,088</b>	<b>2,128</b>	<b>28,216</b>
Additions at cost	3,500	661	4,161
Capitalised interest	1	-	1
Disposal proceeds	(514)	(316)	(830)
Net profit / (loss) on disposal*	31	(86)	(55)
Change in fair value	1,360	349	1,709
Closing fair value at 30 June 2015	30,466	2,736	33,202
Closing cost	27,650	2,242	29,892
Closing valuation gain **	2,816	494	3,310
<b>Closing fair value at 30 June 2015</b>	<b>30,466</b>	<b>2,736</b>	<b>33,202</b>

\* The net loss on disposal in the table above is £55,000 whereas that shown in the Statement of Comprehensive Income is £53,000. The difference comprises the gain of £2,000 arising on deferred proceeds in respect of assets which have been disposed and are not included within the investment portfolio at the period end.

\*\* Following the merger between the Company and British Smaller Technology Companies VCT plc, a total of £975,000 of negative goodwill was recognised in the investment holding gains and losses reserve in respect of investments acquired. The relevant amount per investment is released at the point of disposal to the capital reserve. At 30 June 2015, a total of £30,000 was held on investments yet to be realised in the investment holding gains and losses reserve.

Level 3 valuations include assumptions based on non-observable data, such as discounts applied either to reflect changes in fair value of financial assets held at the price of recent investment, or to adjust earnings multiples.

IFRS13 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to fair value measurement. The portfolio has been reviewed and both downside and upside alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternative the value of the unquoted investments would be £2,177,000 (7.1 per cent) lower. Using the upside alternative the value would be increased by £2,522,000 (8.3 per cent).

A 10 per cent decrease in the discount applied would have increased the net assets attributable to the Company's shareholders and the total profit by £1,214,000 (2.2 per cent of net assets). A change in the opposite direction would have decreased net assets attributable to the Company's shareholders and the total profit by £1,131,000 (2.1 per cent of net assets).

Of the Company's equity investments, 8.2 per cent are quoted on AIM (31 December 2014: 8.0 per cent). A five per cent increase in stock prices as at 30 June 2015 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £137,000 (31 December 2014: £106,000). An equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the period by an equal amount.

## Explanatory Notes to the Unaudited Condensed Financial Statements (continued)

### 6 Financial Assets at Fair Value through Profit or Loss (continued)

Of the Company's equity investments 91.8 per cent are in unquoted companies held at fair value (December 2014: 92.0 per cent). The valuation methodology for these investments includes the application of externally produced FTSE<sup>R</sup> multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Those using an earnings multiple methodology include judgements regarding the level of discount applied to that multiple. A 10 per cent decrease in the discount applied would have increased the net assets attributable to the Company's shareholders and the total profit by £550,000 (1.0 per cent of net assets). A change in the opposite direction would have decreased net assets attributable to the Company's shareholders and the total profit for the period by the same amount.

There have been no individual fair value adjustments downwards during the period that exceeded five per cent of the total assets of the Company (31 December 2014: none).

The Company has completed investments totalling £2.50 million into five acquisition vehicles.

The following disposals took place during the period (all companies are unquoted unless otherwise stated).

	Net proceeds from sale	Cost	Opening carrying value as at 1 January 2015 £000	Gain (loss) over opening carrying value £000	Profit (loss) on original cost £000
	£000	£000	£000	£000	£000
<b>Loan repayments</b>					
DisplayPlan Holdings Limited	303	233	272	31	70
GTK (Holdco) Limited	103	103	103	-	-
Bagel Nash Group Limited	40	40	40	-	-
Macro Art Holdings Limited	35	35	35	-	-
Cambrian Park & Leisure Homes Limited	33	33	33	-	-
	514	444	483	31	70
<b>Equity disposals</b>					
Hargreaves Services plc*	160	325	262	(102)	(165)
Cambridge Cognition Holdings plc*	156	240	140	16	(84)
	316	565	402	(86)	(249)
<b>Total disposals</b>	830	1,009	885	(55)	(179)
<b>Deferred Proceeds</b>					
Primal Pictures Limited	12	-	12	-	12
DxS Limited	2	-	-	2	2
<b>Total</b>	<b>844</b>	<b>1,009</b>	<b>897</b>	<b>(53)</b>	<b>(165)</b>

\* Designates AIM quoted investments

## 7 Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £54,140,000 (30 June 2014 and 31 December 2014: £39,330,000 and £39,333,000 respectively) and 86,681,566 (30 June 2014 and 31 December 2014: 62,269,837 and 62,556,876 respectively) ordinary shares in issue at 30 June 2015.

The 2,128,003 (30 June 2014: 1,840,918 and 31 December 2014: 1,910,022) treasury shares have been excluded in calculating the number of ordinary shares in issue at 30 June 2015. The Company has no securities that would have a dilutive effect and hence basic and diluted net asset value per ordinary share are the same.

The only potentially dilutive shares are those shares which, subject to certain criteria being achieved in the future, may be issued by the Company to meet its obligations under the Investment Advisor Agreement. No such shares have been issued or are currently expected to be issued. There are, therefore, considered to be no potentially dilutive shares in issue at 30 June 2015, 31 December 2014 or 30 June 2014.

## 8 Total Return

Total return per share is calculated on cumulative dividends paid of 46.0 pence per ordinary share (30 June 2014: 41.5 pence per ordinary share and 31 December 2014: 43.5 pence per ordinary share) plus the net asset value as calculated in note 7.

## 9 Directors

The directors of the Company are: Richard Last, Robert Martin Pettigrew, and Peter Charles Waller.

## 10 Other Information

Copies of the interim report can be obtained from the Company's registered office: 5th Floor, Valiant Building, 14 South Parade, Leeds, LS1 5QS or from [www.bscfunds.com](http://www.bscfunds.com).

# ADVISERS TO THE COMPANY

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Robert Martin Pettigrew  
Peter Charles Waller

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