

British Smaller Companies VCT plc

Interim Report
for the
six months ended
30 September
2018



Winner
Small UK
Deal of the Year
GO Outdoors



Winner
VCT Exit of the Year
President
Engineering Group



Winner
Best Report &
Accounts
VCTs

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Advisers to the Company

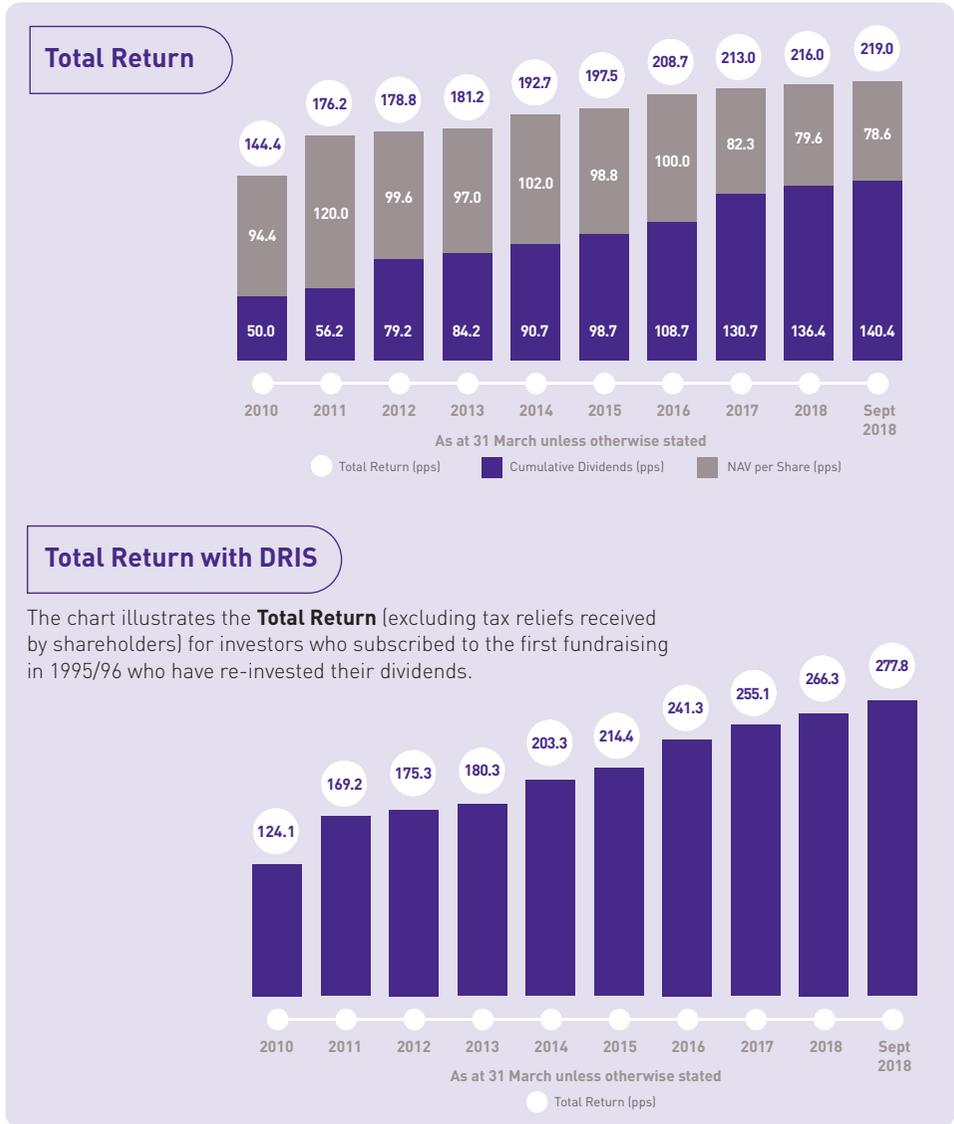
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FINANCIAL SUMMARY

for the six months ended 30 September 2018

Total Return, calculated by reference to the cumulative dividends paid plus net asset value (excluding tax reliefs received by shareholders), is the primary recognised measure of performance in the VCT industry.

The chart below shows how the **Total Return** of your Company has developed over the last ten years.



FINANCIAL HIGHLIGHTS



219.0 pence Total Return

Since 31 March 2018 your Company's Total Return has increased by 3.0 pence, from 216.0 pence per ordinary share to 219.0 pence per ordinary share, which includes cumulative dividends paid of 140.4 pence per ordinary share.



£3.1m Invested

Your Company completed two new investments during the six months to 30 September 2018.



140.4 pence Cumulative Dividends Paid

An interim dividend of 4.0 pence per ordinary share in respect of the year ending 31 March 2019 was paid on 18 May 2018, taking cumulative dividends paid since your Company's inception to 140.4 pence per ordinary share.

CHAIRMAN'S STATEMENT

I am pleased to present the Interim Accounts for the six months ended 30 September 2018.

Overview

Total Return for the six months was 3.0 pence per ordinary share, which was 3.8 per cent of the net asset value at 31 March 2018.

New Investment

It is pleasing that in the first six months of 2018, your Company completed two new investments totalling £3.1 million. These were:

£1.3 million was invested into **Hutchinson Networks Limited** in April 2018, a leading provider of multi-vendor IT and network solutions to clients globally. Hutchinson will utilise the money to fund additional marketing and operational resources to accelerate international growth in a growing market.

£1.8 million was invested into **Arcus Global Limited** in May 2018, a provider of cloud-based software solutions to local and national public-sector organisations. The funding will support the continued growth of the business; building resource in technology development, sales and customer services. Together, this will enable Arcus to further expand its range of software solutions to help the public sector to increase its use of digital technologies and transform services.

In both cases there is the prospect that follow-on funding may be required.

Financial Results and Dividends

The movement in **Total Return** is set out in the table below:

Total Return

	Pence per ordinary share
Total Return at 1 April 2018	216.0
Net underlying increase in portfolio	3.0
Total Return at 30 September 2018	219.0

The portfolio produced a value gain of £3.3 million, representing a 5.1 per cent increase over the opening value and equivalent to an increase in value for shareholders of 3.0 pence per ordinary share.

Due to the repayment of loans and the different financing structures of new investments there has been a significant change in the nature of the Company's income. Newer investments now include lower levels of debt and higher levels of preference shares, which means that a growing proportion of income now derives from preference dividends. In addition, where new investments are re-investing their profits to fund growth, the payment of dividends and interest is often deferred until a sale.

Whilst income in the period was slightly higher than the same period last year, this derived principally from preference dividends as referred to above - the receipt of which is anticipated to be less predictable than the interest income from more mature investments.

Chairman's Statement (continued)

Investments made since the changes to the VCT rules in November 2015 now comprise £18.7 million (29 per cent) of the value of the unquoted portfolio as at 30 September 2018, with £45.6 million (71 per cent) of investments made prior to the rule changes. In general, the more recent additions to the portfolio comprise mainly equity instruments. Additionally because younger companies typically re-invest their profits for growth, they may have little or no capacity to pay dividends.

An interim dividend of 4.0 pence per ordinary share in respect of the year ending 31 March 2019 was paid in the period, bringing the cumulative dividends paid to date to 140.4 pence per ordinary share.

The movement in net asset value per ordinary share and the dividends paid are set out in the table below:

	£000	Pence per ordinary share
NAV at 1 April 2018	86,137	79.6
Net underlying increase in portfolio	3,307	3.0
Profit for the period	33	-
Issue/buy-back of shares	63	-
	3,403	3.0
NAV before the payment of dividends	89,540	82.6
Dividends paid	(4,322)	(4.0)
NAV at 30 September 2018	85,218	78.6

Shareholder Relations

As part of the Board's continuing dialogue with shareholders, the 23rd shareholder workshop was held in conjunction with British Smaller Companies VCT2 plc at the Honourable Artillery Company on 16 May 2018. This included a presentation from the CEO of one of our newest investments, Ncam Technologies Limited, along with short videos about some of the new portfolio companies. The Company's performance, portfolio and outlook were discussed in talks given by the Investment Adviser, followed by a question and answer session.

As shareholders may be aware the General Data Protection Regulations ("GDPR") came into force

on 25 May 2018. GDPR provides a greater level of protection over personal information and the Company and the Investment Adviser have taken all necessary steps to comply with its requirements. A revised Privacy Notice has been published and this can be found on your Company's website at www.bsccfunds.com.

A large number of shareholders (83 per cent) now receive documents such as the annual report via the website, www.bsccfunds.com, rather than by post. This saves on printing costs, as well as being more environmentally friendly, and your Board would encourage all shareholders to do this.

Your Company's website www.bscfunds.com, provides a comprehensive level of information in what I hope is a user-friendly format and is refreshed on a regular basis.

Regulatory Developments

On 5 July 2018 the European Commission confirmed its approval of the recent amendments to the VCT rules, including a higher annual investment limit for Knowledge Intensive Companies of £10 million which, for appropriate investments, your Company intends to utilise.

HMRC launched a consultation on proposed changes to the advance assurance process which would allow your Company to make investments without obtaining advance assurance. The Board continues to keep these developments under review.

Fundraising

Following a review of the Company's cash requirements, the Board will shortly launch a joint offer for subscription with British Smaller Companies VCT2 plc, to raise in aggregate £30 million, with an additional £5 million over allotment facility. There will be a short period of time during which existing shareholders of both companies will have exclusivity for around four weeks to apply for new shares in both companies on a first-come, first-served basis, after which the offers will be open to new investors. The intention is to have a single allotment, which will be between 1-5 April 2019, in order to maximise the time available to invest the monies raised and meet the VCT qualifying rules.

Board Composition

After 9 years as a non-executive director Edward Buchan has decided to retire from the Board at the 2019 Annual General Meeting. His thoughtful approach as Chair of the Audit Committee has

been invaluable to the Company, and I thank him for the considerable contribution he has made to its development. His contribution to the Board will be greatly missed. The Board intends to begin the process of recruiting a new non-executive director and Chair of the Audit Committee early in 2019.

Outlook

The Board welcomes the European Commission's approval of the recent changes to the VCT rules, especially the ability to invest up to £10 million in any one year into Knowledge Intensive Companies as this should allow investments to be accelerated in certain cases.

While it is frustrating that there is little clarity on the UK's future trading relationship with the EU the businesses in the portfolio continue to prepare for all potential outcomes. There has been little impact on the level of enquiries seen by the Investment Adviser to date.

The more mature investments in the portfolio generally continue to perform well, as can be seen from the valuation uplifts in this period, and opportunities to realise these investments are pursued where the timing is felt to be appropriate for the relevant business. The level of investment pipeline and the expected financial needs of the newer growth investments informs the requirement to raise further funds at this time. Your Board hopes that shareholders will take the opportunity to further invest in the Company in the proposed fundraising.

I would like to take this opportunity to thank shareholders for their continued support.



Helen Sinclair
Chairman

21 November 2018

OBJECTIVES AND KEY POLICIES

The Company's objective is to grow Total Return over the medium to long-term whilst maintaining the Company's status as a venture capital trust.

Investment Policy

The Company's investment policy is to create a portfolio that blends a mix of businesses operating in established industries with those that offer opportunities in the application and development of innovation. Investing across a range of companies and sectors reduces exposure to particular markets and individual companies. The changes to the VCT legislation in November 2015 and those announced in the November 2017 Budget mean that there is greater emphasis on earlier stage growth businesses focussing on the application and development of innovation.

To this end, the Company will invest in UK businesses across a broad range of sectors including but not limited to software, information technology and telecommunications, retail and brands, business services, manufacturing and industrial services and healthcare. These investments will primarily be in unquoted UK companies which meet the definition of a Qualifying Investment, in order to maintain the Company's Venture Capital Trust status. It is anticipated that the majority of these businesses will be re-investing their profits for growth and the investments will, therefore, comprise mainly equity instruments. In order to limit the risk to the portfolio that is derived from any particular investment, at the point of investment no more than 15 per cent of the Company by value will be in any one investment.

Borrowing

The Company funds the investment programmes out of its own resources and has no borrowing facilities for this purpose.

Co-investment

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc ("the VCTs") have in aggregate priority in all investment opportunities meeting the VCT qualifying criteria that require up to £4.5 million of equity. Amounts above £4.5 million will be allocated one third to YFM's co-investment funds and two thirds to the VCTs. Where there are opportunities for the VCTs to co-invest with each other the basis for allocation is 60 per cent to the Company and 40 per cent to British Smaller Companies VCT2 plc. The Board of the Company has discretion as to whether or not to take up or, where British Smaller Companies VCT2 plc does not take its allocation, increase its allocation in such co-investment opportunities.

Asset mix

Pending investment in VCT-qualifying securities, surplus cash is primarily held in interest bearing instant access, and short-notice bank accounts and investment funds listed on a recognised stock exchange (including FCA authorised and regulated UCITS funds). Subsequent to the Finance (No. 2) Act 2015 investments can no longer be made in non-qualifying quoted investments traded on an unregulated exchange. This change therefore now excludes most AIM investments in this category.

INVESTMENT REVIEW

The Company's portfolio at 30 September 2018 had a value of £66.78 million consisting of £64.30 million (96 per cent) in unquoted investments and £2.48 million (4 per cent) in quoted investments. The largest single investment represents 8.4 per cent of the net asset value.

Over the six months to 30 September 2018 the portfolio saw an underlying value gain of £3.17 million from the ongoing portfolio comprising £2.69 million from the unquoted portfolio and £0.48 million from the quoted portfolio.

The most significant upward movements in the period were:

- ACC Aviation
£3.41 million
- Matillion Limited
£1.12 million
- Deep-Secure Ltd
£1.02 million
- Gill Marine Holdings Limited
£0.65 million

The increase in ACC's valuation during the period has resulted from a very strong underlying trading performance and a recent increase in your Company's equity ownership following a reorganisation.

These gains were offset by companies which saw profits impacted by difficult trading conditions:

- Seven Technologies Holdings Limited
down £0.82 million
- DisplayPlan Holdings Limited
down £0.74 million
- e2E Engineering Limited
down £0.68 million
- Traveltek Group Holdings Limited
down £0.45 million

New and Follow-on Investments

In the six months to September 2018 the rate of new investment has increased. So far this year your Company has completed two new investments totalling £3.12 million.

The new investments comprise:

- £1.80 million into Arcus Global Limited (15.6 weeks for advance assurance)
- £1.32 million into Hutchinson Networks Limited (10.4 weeks for advance assurance).

There has been some improvement in HMRC's rate of response to advance assurance applications, although our experience hasn't yet seen clearance within their best practice guidance of 15 working days. However, HMRC has changed its guidance which would allow your Company to make some investments without obtaining advance assurance. The Board continues to keep these developments under review.

Realisation of Investments

During the six months to 30 September 2018 the Company generated £1.52 million from disposals and repayments of loans. An additional £0.84 million was generated from the realisation of a fixed income security and listed investment funds.

A detailed analysis of all investments realised in the period to 30 September 2018 can be found in note 6 to this interim report.

INVESTMENT PORTFOLIO

As at 30 September 2018

The top 10 investments had a combined value of £41.0 million, 61.4 per cent of the total portfolio.

Software, IT and Telecommunications



Fair Value

£28.2m

Business Services



Fair Value

£18.0m

Manufacturing and Industrial Services



Fair Value

£9.5m

Healthcare



Fair Value

£5.7m

Retail and Brands



Fair Value

£5.4m

Name of Company	Sector	Date of initial investment	Current cost £000	Investment Valuation at 30 September 2018 £000	Proceeds to date £000	Realised and unrealised value to date £000
 ACC		Nov 14	220	7,159	1,848	9,007

ACC Aviation (via NewAcc(2014) Limited)

www.flyacc.com

Equity held 27.00%

Reigate

With annual sales of over £90 million, ACC Aviation has built an excellent reputation for providing services to clients globally in all aspects of aircraft leasing, charter and flight management. The airline industry continues to change at a fast pace and ACC has evolved its model to become a valued partner.


MATILLION



Nov 16

2,666

6,063

-

6,063

Matillion Limited

www.matillion.com

Equity held 10.79%

Manchester

Matillion develops cloud-native data transformation products for platforms including Amazon Web Services, Google Big Query and Snowflake. The products allow customers to harness the power of these platforms to rapidly transform and interrogate large quantities of data.

Name of Company	Sector	Date of initial investment	Current cost £000	Investment Valuation at 30 September 2018 £000	Proceeds to date £000	Realised and unrealised value to date £000
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Mangar
HEALTH



Jan 14 2,460 4,446 - 4,446

Mangar Health Limited

www.mangar.co.uk

Powys

Equity held 25.65%

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. Its products facilitate extended independence for elderly users.

IntelligentOffice^{UK}



May 14 2,934 4,438 - 4,438

Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)

www.intelligentofficeuk.com

Alloa

Equity held 26.65%

Intelligent Office is a leading provider of process outsourcing solutions to UK legal practices and has recently won a number of significant new customers. The Managed Services division works within firms' own premises to help them transform and manage key administrative functions and secretarial services.

DEEP SECURE



Dec 09 1,000 3,875 - 3,875

Deep-Secure Limited

www.deep-secure.com

Malvern

Equity held 15.88%

Deep-Secure specialises in high security network gateway products, known as Content Threat Removal and has developed a market leading approach in a strong growth sector. The company has invested heavily in sales and marketing resource which is seeing it expand outside of its traditional sectors of government and defence.

Investment Portfolio (continued)

Name of Company	Sector	Date of initial investment	Current cost £000	Investment Valuation at 30 September 2018 £000	Proceeds to date £000	Realised and unrealised value to date £000
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Sep 13	2,500	3,261	-	3,261
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Gill Marine Holdings Limited

www.gillmarine.com

Equity held 18.47%

Nottingham

Gill Marine is a manufacturer of technical sailing equipment and clothing. Exports account for over 70 per cent of turnover with Gill recently taking over direct supply to its key North American market. The strategy is to develop the brand further and increase its share in existing and new markets, including direct online sales.




Nov 14	2,010	3,130	-	3,130
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Business Collaborator Limited

www.groupbc.com

Equity held 29.08%

Reading

Business Collaborator is an established provider of collaboration software hosted on the cloud to the construction sector and a leader in the Building Information Modelling ("BIM") software market. Sales growth is driven by the products' ability to deliver cost savings and supported by government regulations.




Mar 18	3,000	3,000	-	3,000
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Eikon Holdco Limited

www.eikongroup.co.uk

Equity held 8.75%

London

Eikon provides digital mastering and localisation services to the film, broadcast and online media industry from its cutting-edge facilities in London and a new facility in Los Angeles. Clients include Paramount Pictures, Twentieth Century Fox, Sony Pictures Entertainment, Warner Bros, Universal Pictures, CBS and Netflix.

Name of Company	Sector	Date of initial investment	Current cost £000	Investment Valuation at 30 September 2018 £000	Proceeds to date £000	Realised and unrealised value to date £000
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Oct 13	222	2,883	1,832	4,715
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GTK (Holdco) Limited

www.gtk.co.uk

Basingstoke

Equity held 26.90%

GTK is a manufacturer of cable assemblies, connectors, optoelectronics and manufacturing solutions for high technology customers. With a small sourcing team in Taiwan and facilities in the UK and Romania it provides design, procurement and manufacturing services to a wide range of customers.



Oct 14	2,647	2,699	-	2,699
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Springboard Research Holdings Limited

www.spring-board.info

Milton Keynes

Equity held 19.43%

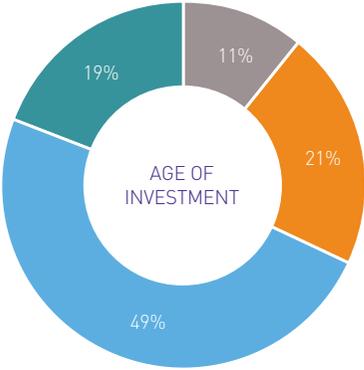
Springboard is a leading provider of retail performance monitoring; providing footfall, dwell time and analysis of consumer behaviour. A continually shifting retail environment means that retailers and landlords are seeking new ways of improving their competitive advantage. The company is expanding into North America.

Total top 10 investments	19,659	40,954	3,680	44,634
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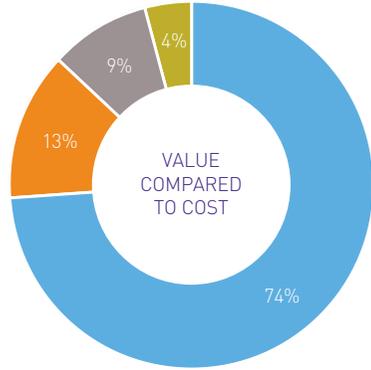
Investment Portfolio (continued)

Name of Company	Sector	Date of initial investment	Current cost £000	Investment valuation at 30 September 2018 £000	Proceeds to date £000	Realised and unrealised value to date £000
Total top 10 investments			19,659	40,954	3,680	44,634
Remaining unquoted portfolio						
KeTech Enterprises Limited	Software	Nov 15	2,000	2,669	-	2,669
Leengate Holdings Limited	Manufacturing	Dec 13	1,401	2,415	-	2,415
Friska Limited	Retail	Jul 17	1,800	1,803	-	1,803
Arcus Global Limited	Software	May 18	1,800	1,800	-	1,800
Sipsynergy (via Hosted Network Services Limited)	Software	Jun 16	1,770	1,358	-	1,358
Hutchinson Networks Limited	Software	Apr 18	1,320	1,320	-	1,320
Wakefield Acoustics (via Malvar Engineering Limited)	Manufacturing	Dec 14	1,080	1,302	75	1,377
DisplayPlan Holdings Limited	Business Services	Jan 12	130	1,122	1,521	2,643
Ncam Technologies Limited	Software	Mar 18	1,466	1,100	-	1,100
Traveltek Group Holdings Limited	Software	Oct 16	1,470	1,090	-	1,090
Macro Art Holdings Limited	Business Services	Jun 14	720	1,070	540	1,610
Biz2Mobile Limited	Software	Oct 16	1,500	932	-	932
£0.75 million and below	Other investments		8,346	5,361	2,778	8,139
Total unquoted investments			44,462	64,296	8,594	72,890
Quoted portfolio						
£0.75 million and below	Other investments		688	2,484	3,023	5,507
Total quoted investments			688	2,484	3,023	5,507
Total portfolio			45,150	66,780	11,617	78,397
Full disposals since 31 March 2002			33,176	-	70,419	70,419
Full disposals prior to 31 March 2002			5,748	-	1,899	1,899
Total investment portfolio			84,074	66,780	83,935	150,715

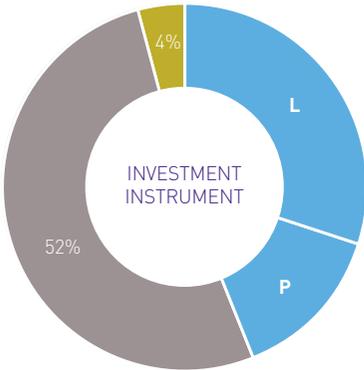
YOUR PORTFOLIO AT A GLANCE



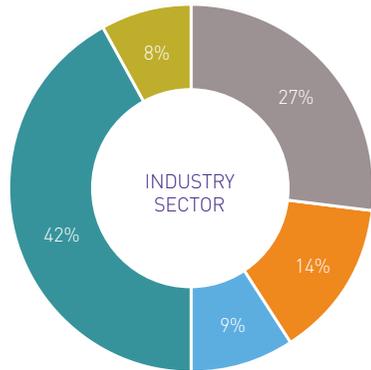
- Less than 1 year
- Between 1 and 3 years
- Between 3 and 5 years
- Greater than 5 years



- Value above cost
- At cost
- Value below cost
- Quoted Companies



- L Loan
 - P Preference shares
 - Ordinary Shares
 - Quoted companies
- } 44%



- Business Services
- Manufacturing and Industrial
- Healthcare
- Software, IT and Telecommunications
- Retail and Brands

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 March 2018. 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 of the 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 March 2018 on pages 28 and 29, a copy of which is available at www.bscfunds.com.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors of British Smaller Companies VCT 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 true and fair view of the assets, liabilities, financial position and profit and loss of British Smaller Companies VCT plc, and that the interim management report includes a true and fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

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

By order of the Board



Helen Sinclair

Chairman

21 November 2018

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF BRITISH SMALLER COMPANIES VCT PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable

us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP

Chartered Accountants
London UK

21 November 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2018

	Notes	Unaudited 6 months ended 30 September 2018			Unaudited 6 months ended 30 September 2017		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains (losses) on investments held at fair value		-	3,228	3,228	-	(67)	(67)
Income	2	1,180	-	1,180	1,102	-	1,102
Gains on disposal of investments	6	-	79	79	-	630	630
Total income		1,180	3,307	4,487	1,102	563	1,665
Administrative expenses:							
Investment Adviser's fee		(215)	(646)	(861)	(220)	(661)	(881)
Other expenses		(246)	(40)	(286)	(264)	-	(264)
		(461)	(686)	(1,147)	(484)	(661)	(1,145)
Profit (loss) before taxation		719	2,621	3,340	618	(98)	520
Taxation	3	(58)	58	-	(72)	72	-
Profit (loss) for the period		661	2,679	3,340	546	(26)	520
Total comprehensive income (loss) for the period		661	2,679	3,340	546	(26)	520
Basic and diluted earnings (loss) per ordinary share	5	0.61p	2.45p	3.06p	0.50p	(0.02)p	0.48p

The Total column of this statement represents the Company's Unaudited 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' (issued in November 2014 and updated in February 2018 with consequential amendments - "SORP") published by the Association of Investment Companies.

UNAUDITED BALANCE SHEET

as at 30 September 2018

	Notes	Unaudited 30 September 2018 £000	Unaudited 30 September 2017 £000	Audited 31 March 2018 £000
Assets				
Non-current assets				
Investments		66,780	56,430	61,756
Listed investment funds		2,391	-	2,336
Fixed income security		-	710	706
Financial assets at fair value through profit or loss	6	69,171	57,140	64,798
Trade and other receivables		1,580	1,123	1,284
		70,751	58,263	66,082
Current assets				
Trade and other receivables		534	1,855	1,733
Cash on fixed term deposit		7,001	9,001	9,001
Cash and cash equivalents		7,093	15,568	10,057
		14,628	26,424	20,791
Liabilities				
Current liabilities				
Trade and other payables		(161)	(713)	(736)
Net current assets		14,467	25,711	20,055
Net assets		85,218	83,974	86,137
Shareholders' equity				
Share capital		11,517	11,342	11,342
Share premium account		1,052	-	-
Capital reserve		48,101	56,024	53,422
Investment holding gains and losses		21,600	13,917	18,146
Revenue reserve		2,948	2,691	3,227
Total shareholders' equity		85,218	83,974	86,137
Net asset value per ordinary share	7	78.6p	77.0p	79.6p

Signed on behalf of the Board



Helen Sinclair

Chairman

21 November 2018

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2018

	Share capital	Share premium account	Capital redemption reserve	Capital reserve	Investment holding gains and losses	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 31 March 2017	11,101	35,519	221	23,686	15,400	2,145	88,072
<i>Revenue return for the period</i>	-	-	-	-	-	618	618
<i>Capital expenses</i>	-	-	-	(661)	-	-	(661)
<i>Investment holding loss on investments held at fair value</i>	-	-	-	-	(67)	-	(67)
<i>Realisation of investments in the period</i>	-	-	-	630	-	-	630
<i>Taxation</i>	-	-	-	72	-	(72)	-
Total comprehensive income (expense) for the period	-	-	-	41	(67)	546	520
<i>Issue of shares - DRIS</i>	241	1,505	-	-	-	-	1,746
<i>Issue costs of ordinary shares*</i>	-	(14)	-	-	-	-	(14)
<i>Cancellation of share premium account, net of costs</i>	-	(37,010)	(221)	37,221	-	-	(10)
<i>Purchase of own shares</i>	-	-	-	(190)	-	-	(190)
<i>Dividends</i>	-	-	-	(6,150)	-	-	(6,150)
Total transactions with owners	241	(35,519)	(221)	30,881	-	-	(4,618)
Realisation of prior year investment holding gains	-	-	-	1,416	(1,416)	-	-
At 30 September 2017	11,342	-	-	56,024	13,917	2,691	83,974
<i>Revenue return for the period</i>	-	-	-	-	-	589	589
<i>Capital expenses</i>	-	-	-	(629)	-	-	(629)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	3,285	-	3,285
<i>Realisation of investments in the period</i>	-	-	-	(401)	-	-	(401)
<i>Taxation</i>	-	-	-	53	-	(53)	-
Total comprehensive (expense) income for the period	-	-	-	(977)	3,285	536	2,844
<i>Purchase of own shares</i>	-	-	-	(681)	-	-	(681)
Total transactions with owners	-	-	-	(681)	-	-	(681)
Realisation of prior year investment holding losses	-	-	-	(944)	944	-	-
At 31 March 2018	11,342	-	-	53,422	18,146	3,227	86,137

* Issue costs include both fundraising costs (where applicable) and costs incurred from the Company's DRIS.

	Share capital	Share premium account	Capital reserve	Investment holding gains and losses	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000
At 31 March 2018	11,342	-	53,422	18,146	3,227	86,137
<i>Revenue return for the period</i>	-	-	-	-	719	719
<i>Capital expenses</i>	-	-	(686)	-	-	(686)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	3,228	-	3,228
<i>Realisation of investments in the period</i>	-	-	79	-	-	79
<i>Taxation</i>	-	-	58	-	(58)	-
Total comprehensive (expense) income for the period	-	-	(549)	3,228	661	3,340
<i>Issue of shares - DRIS</i>	175	1,063	-	-	-	1,238
<i>Issue costs of ordinary shares*</i>	-	(11)	-	-	-	(11)
<i>Purchase of own shares</i>	-	-	(1,164)	-	-	(1,164)
<i>Unclaimed dividends</i>	-	-	6	-	-	6
<i>Dividends</i>	-	-	(3,388)	-	(940)	(4,328)
Total transactions with owners	175	1,052	(4,546)	-	(940)	(4,259)
Realisation of prior year investment holding losses	-	-	(226)	226	-	-
At 30 September 2018	11,517	1,052	48,101	21,600	2,948	85,218

* Issue costs include both fundraising costs (where applicable) and costs incurred from the Company's DRIS.

Unaudited Statement of Changes in Equity (continued) for the six months ended 30 September 2018

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
Distributable reserves as on previous page	48,101	2,948	51,049
<i>Less : Interest and dividends not yet distributable</i>	-	(2,155)	(2,155)
<i>: Cancelled share premium not yet distributable</i>	(16,074)	-	(16,074)
Reserves available for distribution*	32,027	793	32,820

* Subject to filing these interim statements at Companies House.

The capital reserve (£48,101,000) and the revenue reserve (£2,948,000) are both distributable reserves. These reserves total £51,049,000, representing a decrease of £5,600,000 in the period since 31 March 2018. The directors also take into account the level of the investment holding gains and losses reserve and the future requirements of the Company when determining the level of dividend payments.

Of the potentially distributable reserves of £51,049,000 shown above, £2,155,000 relates to interest and dividends receivable from 2019 onwards and £16,074,000 to cancelled share premium which becomes distributable from 1 April 2019 onwards (see below).

Total share premium previously cancelled will be available for distribution from the following dates.

	£000
1 April 2019	6,295
1 April 2020	8,288
1 April 2021	1,491
Cancelled share premium not yet distributable	16,074

UNAUDITED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2018

Notes	Unaudited 6 months ended 30 September 2018 £000	Unaudited 6 months ended 30 September 2017 £000	Audited Year ended 31 March 2018 £000
Profit before taxation	3,340	520	3,364
Decrease in trade and other payables	(523)	(3,164)	(3,142)
Increase in trade and other receivables	(220)	(893)	(161)
Gain on disposal of investments	(79)	(630)	(229)
(Gains) losses on investments held at fair value	(3,228)	67	(3,218)
Capitalised interest and dividends	-	-	(89)
Net cash outflow from operating activities	(710)	(4,100)	(3,475)
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss	6 (3,251)	(3,122)	(10,586)
Proceeds from sale of financial assets at fair value through profit or loss	6 2,032	4,191	6,144
Deferred consideration	1,278	213	269
Cash maturing from fixed term deposit	2,000	4,023	4,023
Net cash inflow (outflow) from investing activities	2,059	5,305	(150)
Cash flows from financing activities			
Issue of ordinary shares	-	4,244	4,245
Costs of ordinary share issues*	(11)	(118)	(118)
Purchase of own shares	(1,164)	(190)	(871)
Share premium cancellation costs	-	(10)	(10)
Dividends paid	4 (3,138)	(4,410)	(4,411)
Net cash outflow from financing activities	(4,313)	(484)	(1,165)
Net (decrease) increase in cash and cash equivalents	(2,964)	721	(4,790)
Cash and cash equivalents at the beginning of the period	10,057	14,847	14,847
Cash and cash equivalents at the end of the period	7,093	15,568	10,057

* Issue costs include both fundraising costs and expenses incurred from the Company's DRIS.

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

1 General Information, Basis of Preparation and Principal Accounting Policies

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

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

The interim statements are unaudited but have been reviewed by the auditors pursuant to the International Standard of Review Engagements 2410 (UK and Ireland) guidance on Review of Interim Financial Information Performed by the Independent Auditor of the Entity. 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 March 2018 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2018. 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 interim statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 March 2018. New standards coming into force during the period have not had a material impact on these interim financial statements.

The financial statements for the year ended 31 March 2018 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 SORP is consistent with the requirements of IFRS, the financial statements have been prepared in compliance with the recommendations of the SORP.

The Company has carried out an assessment of accounting standards, amendments and interpretations that have been issued by the IASB and that are effective for the current reporting period. These include IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The Company has determined that IFRS 15 and other amendments/interpretations that are newly effective do not affect the Company's performance or position. In respect of IFRS 9 which replaces IAS 39, the Company continues to account for its investment assets at fair value through profit or loss as permitted by IFRS 9. Trade receivables continue to be accounted for at amortised cost and the Company now applies the new IFRS 9 expected credit loss impairment model to these financial assets. The impact of recognising impairment based on expected credit losses rather than on an incurred basis is minimal.

The financial statements are presented in sterling and all values are rounded to the nearest thousand (£000), except where stated.

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 interim statements were approved. As at 30 September 2018 the Company held cash balances and fixed term deposits with a combined value of £14,094,000. 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 interim statements.

2 Income

	Unaudited 6 months ended 30 September 2018 £000	Unaudited 6 months ended 30 September 2017 £000
Income from investments		
- Dividends from unquoted companies	406	234
- Dividends from AIM quoted companies	9	5
	415	239
- Interest on loans to unquoted companies	652	769
Income from investment portfolio	1,067	1,008
Income from listed investment funds	37	-
Fixed interest Government securities	3	8
Income from investments held at fair value through profit or loss	1,107	1,016
Interest on bank deposits	73	86
	1,180	1,102

3 Taxation

	Unaudited 6 months ended 30 September 2018			Unaudited 6 months ended 30 September 2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit (loss) before taxation	719	2,621	3,340	618	(98)	520
Profit before taxation multiplied by the standard small company rate of corporation tax in UK of 19.0% (2017: 19.0%)	137	498	635	117	(18)	99
Effect of:						
UK dividends received	(79)	-	(79)	(45)	-	(45)
Non-taxable profits on investments	-	(628)	(628)	-	(107)	(107)
Excess expenses	-	72	72	-	53	53
Tax charge (credit)	58	(58)	-	72	(72)	-

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 September 2018			Unaudited 6 months ended 30 September 2017			Audited Year ended 31 March 2018		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Interim dividend for the year ending 31 March 2019 of 4.0p (2018: 5.75p) per ordinary share	940	3,388	4,328	-	6,150	6,150	-	6,150	6,150
Shares allotted under DRIS			(1,238)			(1,746)			(1,746)
Unclaimed dividends			48			6			7
Dividends paid in the Statement of Cash Flows			3,138			4,410			4,411

5 Basic and Diluted Earnings (Loss) per Ordinary Share and Changes in Share Capital

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to equity shareholders of £3,340,000 (30 September 2017: £520,000) and 109,168,052 (30 September 2017: 108,626,142) 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 £661,000 (30 September 2017: £546,000) and 109,168,052 (30 September 2017: 108,626,142) 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 (loss) attributable to equity shareholders of £2,679,000 (30 September 2017: loss of £26,000) and 109,168,052 (30 September 2017: 108,626,142) ordinary shares being the weighted average number of ordinary shares in issue during the period.

During the period the Company allotted 1,751,747 new ordinary shares in respect of its dividend re-investment scheme.

The Company has repurchased 1,589,025 of its own shares in the period and these shares are held in the capital reserve. The total of 6,814,043 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 in any period. Consequently basic and diluted earnings per ordinary share are equivalent at 30 September 2018, 31 March 2018 and 30 September 2017.

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 listed investment funds, AIM quoted investments 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 or sales multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The majority of the Company's investments fall into this category.

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 (2017: 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.

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 (IPEV) 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 56 of the financial statements for the year ended 31 March 2018, a copy of which can be found at www.bscfunds.com. Where investments are in quoted stocks, fair value is set at the market price.

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

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:** This represents the cost of the investment or the price at which a significant amount of new investment has been made by an independent third party adjusted, if necessary, for factors relevant to the background of the specific investment. The value of the investment is assessed for changes or events that would imply either a reduction or increase to its fair value through comparison of financial, technical and marketing milestones set at the time of investment. Where it is considered that the fair value no longer approximates to the cost of the recent investment an estimated adjustment to the cost, based on objective data, will be made to the investment's carrying value.
- **Earnings multiple:** A multiple that is appropriate and reasonable, given the risk profile and earnings growth prospects of the underlying company, is applied to the maintainable earnings of that company. The multiple is adjusted to reflect any risk associated with lack of marketability and to take account of the differences between the investee company and the benchmark company or companies.
- **Sales multiples and industry valuation benchmarks:** Where appropriate comparator companies can be identified, multiples of revenues may be used as a valuation benchmark.

Movements in investments at fair value through profit or loss during the six months to 30 September 2018 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1	Level 1	Level 1		
	Unquoted Investments £000	Quoted Equity Investments £000	Total Quoted and Unquoted £000	Listed Investment Funds £000	Fixed Income Securities £000	Total Investments £000
Opening cost	42,793	732	43,525	2,431	696	46,652
Opening valuation gain	16,772	1,459	18,231	(95)	10	18,146
Opening fair value at 1 April 2018	59,565	2,191	61,756	2,336	706	64,798
Additions at cost	3,120	-	3,120	131	-	3,251
Disposal proceeds	(1,005)	(240)	(1,245)	(131)	(704)	(2,080)
Net (loss) gain on disposal	(78)	54	(24)	-	(2)	(26)
Change in fair value	2,694	479	3,173	55	-	3,228
Closing fair value at 30 September 2018	64,296	2,484	66,780	2,391	-	69,171
Closing cost	44,462	688	45,150	2,421	-	47,571
Closing valuation gain	19,834	1,796	21,630	(30)	-	21,600
Closing fair value at 30 September 2018	64,296	2,484	66,780	2,391	-	69,171

The net loss on disposal in the table above is £26,000 whereas a gain of £79,000 is shown in the Statement of Comprehensive Income. The difference comprises the gain of £105,000 arising on deferred proceeds in respect of assets which have been disposed of and are not included within the investment portfolio at the period end.

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

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. Each unquoted portfolio company 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 £4,596,000 (7.1 per cent) lower. Using the upside alternative the value would be increased by £4,674,000 (7.3 per cent).

Of the Company's investments, 93 per cent are in unquoted companies held at fair value (31 March 2018: 92 per cent). The valuation methodology for these investments includes the application of externally produced sales multiples and FTSE® PE multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Those using earnings and sales multiple methodologies 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 £5,429,000 (6.4 per cent of net assets). An equal change in the opposite direction would have decreased net assets attributable to the Company's shareholders and the total profit by the same amount.

Of the Company's equity investments, 4 per cent are quoted on AIM (31 March 2018: 4 per cent) and 3 per cent (31 March 2018: 4 per cent) are investment funds listed on the main market of the London Stock Exchange (including FCA authorised and regulated UCITS funds). A 5 per cent increase in stock prices as at 30 September 2018 would have increased the net assets attributable to the Company's shareholders and the total profit for the period by £244,000 (31 March 2018: £226,000). 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.

There have been no individual fair value adjustments downwards during the period that exceeded 5 per cent of the total assets of the Company (31 March 2018: none).

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

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

	Net proceeds from sale	Cost	Opening carrying value as at 1 April 2018	Gain (loss) over opening carrying value	Profit (loss) on original cost
	£000	£000	£000	£000	£000
<i>Unquoted investments</i>					
ACC Aviation (via NewACC (2014) Limited)	922	922	922	-	-
Harris Hill Limited	57	57	57	-	-
Macro Art Holdings Limited	26	26	26	-	-
PowerOasis Limited	-	445	78	(78)	(445)
<i>Quoted investments</i>					
AB Dynamics plc	192	16	151	41	176
EKF Diagnostics plc	48	27	35	13	21
Total from disposals in the period	1,245	1,493	1,269	(24)	(248)
<i>Deferred consideration received:</i>					
Ness (Holdings) Limited	-	-	63	(63)	-
Selima Holding Company Ltd	278	-	110	168	278
Total from quoted and unquoted investments	1,523	1,493	1,442	81	30
Fixed income securities	704	696	706	(2)	8
Listed investment funds	131	143	131	-	(12)
Total proceeds	2,358	2,332	2,279	79	26

The proceeds in the table above total £2,358,000, whereas the amounts shown for proceeds and deferred consideration in the Statement of Cash Flows total £3,310,000. The difference relates to the timing differences arising between the recognition of the deferred income and its receipt in cash.

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 £85,218,000 (30 September 2017 and 31 March 2018: £83,974,000 and £86,137,000 respectively) and 108,352,886 (30 September 2017 and 31 March 2018: 109,107,183 and 108,190,164 respectively) ordinary shares in issue at 30 September 2018.

The 6,814,043 (30 September 2017 and 31 March 2018: 4,307,999 and 5,225,018) treasury shares have been excluded in calculating the number of ordinary shares in issue at 30 September 2018.

The Company has no securities which would have had a dilutive effect in any period. Consequently, basic and diluted net asset values are equivalent at 30 September 2018, 31 March 2018 and 30 September 2017.

8 Total Return

Total Return per share is calculated on cumulative dividends paid of 140.4 pence per ordinary share (30 September 2017 and 31 March 2018: 136.4 pence per ordinary share) plus the net asset value as calculated in note 7.

9 Directors

The directors of the Company are: Mrs H Sinclair, Mr CWER Buchan and Mr R Cook.

10 Post Balance Sheet Events

Subsequent to 30 September 2018 the Company has realised part of its quoted portfolio raising total proceeds of £375,000, in line with the value of the investments at 30 September 2018.

11 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.

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