British Smaller Companies VCT2 plc

Offer for Subscription

The Board of British Smaller Companies VCT2 plc ("the Company") is pleased to announce that the Company has today launched a new share offer (the "Offer") to raise up to £4.4 million. Full details of the Offer are contained in an offer document (the "Offer Document") issued by the Company, dated 11 January 2018.

The Offer will be open to existing shareholders until 2 February 2018 and, unless the Offer has been fully subscribed, the Offer will then also be available to new investors from 3 February 2018.

The Offer Document is available from the Company's website: www.bscfunds.com.

The Offer opens on 11 January 2018 and will close on 5 April 2018. The Offer will close earlier if it is fully subscribed.

Pursuant to the Offer, YFM Private Equity Limited, the Company's Investment Adviser, will receive a fee of 2.5 per cent (of the gross proceeds of the Offer) in respect of subscriptions received either direct or through an adviser and 4.5 per cent (of the gross proceeds of the Offer) for subscriptions received through an execution only platform or broker. This constitutes a related party transaction under Listing Rule 11.1.10R.

The Offer Document will shortly be available for inspection at the National Storage Mechanism, which is located at:
http://www.morningstar.co.uk/uk/NSM

11 January 2018

For further information please contact:

David Hall	YFM Private Equity Limited	0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	0207 886 2715

British Smaller Companies VCT2 plc

Close of Offer to New Subscriptions

The Board of British Smaller Companies VCT2 plc (the "Company") is pleased to announce that the Offer for Subscription (the "Offer") that was launched on 11 January 2018 to raise up to £4.4 million has been fully subscribed from existing shareholders. This demonstrates shareholders' excellent support for the Company and, as a consequence, the Offer is now closed to new applications.

The allotment of new ordinary shares is expected to take place on 16 February 2018 and dealings in these shares are expected to commence on or around 2 March 2018.

A copy of the Offer Document was submitted to the National Storage Mechanism and is available to the public for viewing online at the following web-site address: http://www.morningstar.co.uk/uk/NSM.

26 January 2018

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 866 2715

British Smaller Companies VCT2 plc (the “Company”)

Director Declaration

The Company announces that Richard Last, Chairman of the Company, has been appointed Chairman and non-executive director of ITE Group plc. The appointment takes effect from 12 February 2018.

12 February 2018

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 866 2715

British Smaller Companies VCT2 plc

Issue of Equity and Close of Offer

British Smaller Companies VCT2 plc (the “Company”) launched an Offer for Subscription (the “Offer”) on 11 January 2018 to raise up to £4.4 million which was closed to new applications on 26 January 2018.

The Company announces that on 16 February 2018 it made the first and final issue of ordinary shares pursuant to the Offer by allotting 7,366,700 ordinary shares of 10 pence each raising gross proceeds of £4.4 million. In accordance with the pricing formula set out in the Offer document the new ordinary shares were allotted at offer prices of 59.385 pence and 60.571 pence per share depending on whether applications were received direct, through an adviser or through an execution only broker or platform. After taking into consideration the costs of the Offer, net proceeds were approximately £4.3 million.

The net asset value (“NAV”) used for the calculation of the issue price on 16 February 2018 is 57.9 pence per ordinary share, being the last reported NAV as at 30 September 2017.

Applications are now being made by the Company for the ordinary shares which were allotted on 16 February 2018 to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s main market for listed securities, and dealings are expected to commence on or around 2 March 2018.

Following the allotment of 7,366,700 ordinary shares, the Company’s issued share capital consists of 107,857,275 ordinary shares with voting rights (“Voting Capital”) and 4,006,351 shares held in treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA’s Disclosure and Transparency Rules.

16 February 2018

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 866 2715

BRITISH SMALLER COMPANIES VCT2 PLC
Annual Financial Report Announcement for the Year to 31 December 2017

British Smaller Companies VCT2 plc (the “Company”) today announces its audited results for the year ended 31 December 2017.

HIGHLIGHTS

- An increase in total return of 3.5 per cent of the opening net asset value.
- 5.7 per cent underlying growth in the investment portfolio.
- The sale of Selima Holding Company Ltd delivered proceeds of £1.0 million, achieving a multiple of 3.7x original cost, with the potential for further consideration.
- Total dividends paid in the year of 3.0 pence per ordinary share (2016: 4.5 pence per ordinary share).
- Total cumulative dividends paid since inception of 55.5 pence per ordinary share (2016: 52.5 pence per ordinary share).
- Proposed final dividend of 1.5 pence per ordinary share in respect of the year ended 31 December 2017.
- Successful fundraising during the year, raising net proceeds of £4.1 million.

CHAIRMAN’S STATEMENT

I am pleased to report that the Company has made good progress during the year with a total shareholder return of 2.1 pence per ordinary share. This equates to 3.5 per cent of the net asset value at 31 December 2016 and total shareholder return is now 114.3 pence per ordinary share.

Your Company’s portfolio delivered a steady performance over the year, generating a return of 5.7 per cent over its opening value. New and follow-on investments totalling £2.37 million have also been completed.

Realisations in Year

Two full realisations were achieved in the year:

In May 2017 the Company realised its investment in **Selima Holding Company Ltd** generating initial proceeds of £1.0 million. The total return (including income) from this investment so far is £1.11 million, a multiple of 3.7x cost. There is the potential for additional contingent consideration of up to a maximum of £0.7 million, subject to the achievement of agreed milestones over the period to November 2019.

In August 2017 the Company realised its residual interest in **Harvey Jones Holdings Limited** for £0.56 million. This takes the total return from this investment to £1.87 million, a multiple of 1.6x cost.

New Investment

During the year your Company completed two new investments and made three follow-on investments.

In July 2017 your Company completed a £1.2 million investment into **Friska Limited**. Friska operates a chain of “food-to-go” restaurants centred in Bristol. This retail chain has a clear roll out strategy to extend to new UK locations building a distinctive ‘Feel Good Food’ brand. The Company’s investment is being used to both support new store openings and invest in management and infrastructure to allow the business to scale its operations.

In September 2017 an investment of £0.6 million was completed into **e2E Engineering Limited**, a technical consultancy business operating in the satellite communications market. The business is utilising new technologies to become a niche managed service communications provider focusing on areas currently under-served by existing solutions. The Company’s investment formed part of a £1.9 million round to commercialise the first of e2E’s products in conjunction with the European Space Agency.

Follow-on investments totalling £0.57 million were made into **existing portfolio companies**.

Financial Results

In the year to 31 December 2017 your Company's total return increased by 2.1 pence per ordinary share to 114.3 pence per ordinary share, driven mainly by the underlying value growth in the investment portfolio. This equates to an increase of 3.5 per cent on the opening net asset value at 31 December 2016.

During the year your Company has paid total dividends of 3.0 pence per ordinary share, bringing the total cumulative dividends paid since inception to 55.5 pence per ordinary share. The net asset value at 31 December 2017 is 58.8 pence per ordinary share as summarised in the table below:

	Pence per ordinary share	£000
NAV at 31 December 2016	59.7	56,109
Net underlying increase in portfolio	2.2	2,249
Net loss after expenses	(0.2)	(180)
Issue/buy-back of new shares	0.1	3,898
	2.1	5,967
Dividends paid	(3.0)	(3,020)
	(0.9)	2,947
NAV at 31 December 2017	**58.8**	**59,056**
Cumulative dividends paid	55.5	
Total return: at 31 December 2017	**114.3**	
at 31 December 2016	112.2	

The charts on page 10 of the annual report show in greater detail the movement in total return, net asset value and dividends paid over time.

The investments held at 31 December 2016, amounting to £39.32 million, delivered a return over the year of £2.25 million, equivalent to an increase in value for shareholders of 2.2 pence per ordinary share. This return comprises a gain on the revaluation of the portfolio of £2.21 million and a net gain over the opening value from the realisation of investments and deferred proceeds of £0.04 million.

Within the current portfolio there were £4.88 million of unrealised gains offset by £2.67 million of unrealised losses. There were strong performances from Matillion Limited, GTK (Holdco) Limited, Deep-Secure Ltd, Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office), Ketech Enterprises Limited, ACC Aviation, Business Collaborator Limited and Mangar Health Limited, which in part were offset by the poorer performances of DisplayPlan Holdings Limited, Immunobiology Limited and The Heritage Window Company Holdco Limited.

The realisation of Selima Holding Company Ltd contributed profits on their 31 December 2016 carrying value of £0.41 million and this was offset by losses of £0.55 million on the refinancing of The Heritage Window Company Holdco Limited. The latter also had a negative impact on the year's income, with a provision of £0.29 million against loan interest and preference dividends.

Shareholder Relations

Annual General Meeting

The Annual General Meeting of the Company will be held at 12:00 noon on 9 May 2018 at 33 St James Square, London, SW1Y 4JS. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting on page 75 of the annual report.

Dividends

Dividends paid in the year comprise a final dividend of 1.5 pence per ordinary share in respect of the year ended 31 December 2016, and an interim dividend of 1.5 pence per ordinary share in respect of the financial year just ended, totalling 3.0 pence per ordinary share. This brings the cumulative dividends paid to 55.5 pence per ordinary share.

As highlighted in previous statements the VCT rules introduced and implemented in 2015 will lead to more investments in earlier stage businesses. The unquoted portfolio as at 31 December 2017 comprised £31.18 million (82 per cent) of investments made prior to the implementation of this change and £6.96 million (18 per cent) after this time. Whilst the older investments in the portfolio may provide an element of more stable returns in the short term, over the medium and longer term returns are expected to have a higher degree of volatility.

With this in mind and to maintain a sustainable level of future dividends the Board is proposing a final dividend of 1.5 pence per ordinary share for the year ended 31 December 2017. This final dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and if approved will then be paid on 11 May 2018 to shareholders on the register at 3 April 2018. The ex-dividend date is 29 March 2018.

Dividend Re-investment Scheme (“DRIS”)

Your Company operates a DRIS, which gives shareholders the opportunity to re-invest any cash dividends and is open to all shareholders, including those who invested under the recent offers. The three advantages of the DRIS are:

1. the dividends remain tax free;
2. any DRIS investment attracts income tax relief at the rate of 30 per cent; and
3. the investment is made at a 5 per cent discount to the last reported net asset value.

For the financial year ended 31 December 2017 dividends totalling £0.66 million were invested in your Company by way of the DRIS.

Fundraising

During the first half of the financial year your Company raised net proceeds of £4.1 million through a ”top-up” offer.

Subsequent to the year-end your Company launched a further top-up fundraising on 11 January 2018. The offer was fully subscribed from existing shareholders and was not therefore opened to new shareholders, closing on 26 January 2018. The Company allotted 7,366,700 ordinary shares on 16 February 2018 raising net proceeds of £4.3 million and following this allotment there were 107,857,275 ordinary shares in issue.

Shareholder Relations

The Investment Adviser recently commissioned a survey to identify shareholder reasons for investing in VCTs and it is very pleasing that more than 1,000 shareholders replied. The results identified that primary drivers for investment are the tax reliefs and also the dividend yield. The recent Budget did not change the tax treatment on VCT dividends which I am sure is a positive for the industry and its shareholders. Almost half of the respondents (45 per cent) said they chose VCTs in order to support growing UK businesses and the investments in Selima and Harvey Jones reported earlier are good examples of the successes achieved by your Company in supporting the UK economy.

Shareholders also indicated a strong preference to be patient investors with 64 per cent having held their investment for more than 10 years and 32 per cent wanting information on how to transfer their shares to the next generation in their family.

The electronic communications policy continues to be a great success, with 83 per cent of shareholders now receiving communications in this way. Documents such as the annual report are disseminated via the website www.bscfunds.com rather than by post, saving on printing costs, as well as being more environmentally friendly.

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

The next Investor Workshop will take place on 16 May 2018 and is being held at the HAC – Honourable Artillery Company, Armoury House, City Road, London, EC1Y 2BQ.

Share Premium Cancellation

On 21 September 2017 the Company cancelled the balance of its Share Premium, £20.58 million, which was transferred to the Capital Reserve. As set out under the Statement of Changes in Equity this will become available for distribution at various times over the period to 1 January 2021.

Regulatory Developments

The new rules set out in the November 2017 Budget and the outcome of the Patient Capital Review included some changes principally to ensure that investment activity remains targeted at younger UK-based smaller businesses. The technical changes around investment structures are likely to see an even more sparing use of loan finance, with instruments now being unsecured but in general these changes are not expected to have a material impact on the Company. There was, however, a significant change with regards to investment limits which saw a doubling in the annual investment limit for Knowledge Intensive businesses to £10 million from £5 million. The lifetime investment limit for these businesses is £20 million. This provides the opportunity for the Company to provide greater amounts of capital for scale up investment for individual businesses than previously.

HMRC are still struggling to process applications for advance assurance. Despite HMRC's stated intention of bringing the approval process down to fifteen workings days for the significant majority of investments this has yet to be achieved. In fact in the short term waiting times seem to have increased and the Company has potentially lost one investment opportunity for £2 million where advance assurance had been requested but no response received in time.

This is not unique to your Company and the Investment Adviser and other VCT advisers are lobbying HM Treasury and HMRC to remedy this situation.

Post Balance Sheet Events

In March 2018 the Company made a new investment of £0.98 million into Ncam Technologies Limited and also made a follow-on investment of £0.38 million into Matillion Limited.

Outlook

The Board recognises that the new regulatory environment for VCTs will change the portfolio's composition over time. New investments will be in growing, earlier-stage businesses that will be less able to fund debt instruments or pay dividends with the result that the Company's ability to pay dividends will become increasingly dependent on the timing and amount of realisation proceeds.

The population of potential investments has been limited by recent legislative changes and this has led to some pressure on investment terms and pricing, especially in competitive processes. A number of other VCTs have recently raised large amounts of new funding and combined with new rules that come into effect in the near future this may see these pressures increase further. Nonetheless the recent changes that increase the investment limits in respect of Knowledge Intensive businesses allowing greater funding in any one year and a £20 million lifetime limit are welcomed as this affords the opportunity to follow investments as they scale.

It is pleasing that HMRC have recently given advance assurance for a number of potential investments (including Ncam Technologies Limited) and the Company is well placed to continue to pursue its objective of delivering long-term value through a diversified portfolio.

Richard Last
Chairman

OBJECTIVES AND KEY POLICIES

The Company's objective is to provide investors with an attractive long-term tax free dividend yield 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 traditional 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 opportunities focussing on the application and development of innovation in their particular markets.

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 VCT 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.

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 VCT2 plc and British Smaller Companies VCT plc ("the VCTs") have in aggregate first choice of 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 40 per cent to the Company and 60 per cent to British Smaller Companies VCT plc. The Board of the Company has discretion as to whether or not to take up or, where British Smaller Companies VCT 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. 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 AIM investments in this category.

Remuneration Policy

The Company's policy on the remuneration of its directors, all of whom being non-executive directors, can be found on page 40 of the annual report.

Other Key Policies

Details of the Company's policies on the payment of dividends, the DRIS and the buy-back of shares are given on the inside of the front cover of the annual report. In addition to these the Company's anti-bribery and environmental and social responsibilities policies can be found on page 29 of the annual report.

PROCESSES AND OPERATIONS

The Investment Adviser is responsible for the sourcing and screening of initial enquiries, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments. Once approved, further due diligence is carried out and HMRC clearance is obtained as the Board deem necessary for approval as a Qualifying Holding.

The Board approves all investment and divestment decisions save in that new investments up to £250,000 in companies whose securities are traded on a regulated stock exchange and where the decision is required urgently, in which case the Chairman of the Board of Directors, if appropriate, may act in consultation with the Investment Adviser.

The Board regularly monitors the performance of the portfolio and the investment requirements set by the relevant VCT legislation. Reports are received from the Investment Adviser regarding the trading and financial position of each investee company and senior members of the Investment Advisory Team regularly attend the Company's Board meetings. Monitoring reports are also received at each Board meeting on compliance with VCT regulations so that the Board can monitor that the Venture Capital Trust status of the Company is maintained and take corrective action if appropriate.

The Board reviews the terms of YFM Private Equity Limited's appointment as Investment Adviser on a regular basis.

YFM Private Equity Limited has performed investment advisory, administrative and secretarial services for the Company since its inception on 28 November 2000. The principal terms of the agreement under which these services are performed are set out in note 3 to the financial statements.

Performance Incentive

The Investment Adviser will receive an amount (satisfied by the issue of shares) equivalent to 20 per cent of the amount by which the cumulative dividends per ordinary share paid as at the last business day in December in any year, plus the average of the middle market price per ordinary share on the five dealing days prior to that day, exceeds 120 pence per ordinary share, multiplied by the number of ordinary shares issued and the ordinary shares under option (if any) (the "Hurdle"). Under the terms of the Subscription Rights Agreement, once the Hurdle has been exceeded it is reset at that value going forward, which becomes the new Hurdle. Any subsequent exercise of these rights will only occur once the new Hurdle has been exceeded. The subscription rights are exercisable in the ratio 95:5 between the Investment Adviser and Chord Capital Limited. Further details are given in note 3 to the financial statements.

In the opinion of the directors the continuing appointment of YFM Private Equity Limited as Investment Adviser is in the interests of the shareholders as a whole in view of its experience in advising venture capital trusts and in making, managing and exiting investments of the kind falling within the Company's investment policies.

KEY PERFORMANCE INDICATORS

The commonly used benchmarks of performance for VCTs are **total return**, calculated as cumulative dividends paid plus net asset value, and **dividends paid**. The charts on page 10 of the annual report show the performance history of these benchmarks.

The evaluation of comparative success of the Company's total return is by way of reference to the share price total return for approximately 50 generalist VCTs as published by the Association of Investment Companies ("the AIC"). This is the Company's stated benchmark index. A comparison and explanation of the calculation of this return is shown in the Directors' Remuneration Report on page 42 of the annual report.

Shareholder Returns

The table below shows the cumulative dividends, the total return on each fundraising round per ordinary share and the total return if a shareholder had opted to participate in the Company's DRIS. The cumulative dividend and total return figures in this table exclude the benefits of all tax reliefs, whilst the last column includes the benefit of tax reliefs as noted.

Tax year	Net asset value as at 31 December 2017	Cumulative dividends paid since fundraising	Total return since fundraising / date of acquisition	Offer price	Offer price net of initial tax relief	Overall return including tax relief since fundraising with participation in the DRIS [1]
	Pence	Pence	Pence	Pence	Pence	Pence
2000/01 and 2001/02	58.8	55.5	114.3	100.0	80.0	180.3
2001/02 and 2002/03	58.8	55.5	114.3	100.0	80.0	180.3
December 2005 issue of shares on acquisition of British Smaller Technology Companies [2]	40.4	37.2	77.6	100.0	80.0	178.9
2009/10 and 2010/11	58.8	33.5	92.3	77.3	54.1	137.8
2010/11 and 2011/12	58.8	29.5	88.3	70.3	49.2	127.9
2012	58.8	25.5	84.3	70.5	49.4	120.3
2012/13 and 2013/14	58.8	21.0	79.8	68.0	47.6	111.6
2013/14 and 2014/15	58.8	16.5	75.3	68.0	47.6	103.9
2014/15 and 2015/16	58.8	12.0	70.8	65.0	45.5	95.7
2015/16	58.8	7.5	66.3	63.0	44.1	88.3

Notes

1. NAV plus tax relief on the initial subscription plus additional tax relief and NAV on DRIS shares purchased. Assuming that all dividends since inception were invested under terms of current DRIS
2. Assuming initial offer price and initial tax relief from original subscription in British Smaller Technology Companies VCT plc

Expenses

Ongoing Charges

The Board monitors expenses using the Ongoing Charges figure, as calculated in line with the AIC recommended methodology. This figure shows shareholders the annual percentage reduction in net asset value as a result of recurring operational expenses which, whilst based on historical information, provides an indication of the likely level of costs that will be incurred in managing the Company in the future.

Expenses	**Year to 31 December 2017 (%)**	Year to 31 December 2016 (%)
Ongoing Charges figure	**2.48**	2.51

Expenses Cap

The total costs incurred by the Company in the year (excluding any performance related fees, trail commission payable to financial intermediaries and VAT) is capped at 2.9 per cent of the total net asset value as at the relevant year end. The treatment of costs in excess of the cap is described in note 3 on page 58 of the annual report. There was no breach of the expenses cap in the current or prior year.

Compliance with VCT Legislative Tests

The main business risk facing the Company is the retention of VCT qualifying status. The Board receives regular reports on compliance with the VCT legislative tests from its Investment Adviser. In addition the Board receives formal reports from its VCT Status Adviser twice a year. The Board can confirm that during the period all of the VCT legislative tests have been met.

Under Chapter 3 Part 6 of the Income Tax Act 2007, in addition to the requirement for a VCT's ordinary share capital to be listed in the Official List on a European regulated market throughout the period, there are a further five specific tests that VCTs must meet following the initial three year provisional period.

The Board can confirm that during the period all of the VCT legislative tests set out below have been met.

Income Test

The Company's income in the period must be derived wholly or mainly (70 per cent) from shares or securities.

Retained Income Test

The Company must not retain more than 15 per cent of its income from shares and securities.

Qualifying Holdings Test

At least 70 per cent by value of the Company's investments must be represented throughout the period by shares or securities comprised in Qualifying Holdings of investee companies.

Eligible Shares Test

At least 30 per cent of the Company's Qualifying Holdings must be represented throughout the period by holdings of non-preferential ordinary shares.

For monies raised from 6 April 2011 onwards the eligible shares test above increases to at least 70 per cent of Qualifying Holdings that must be represented by eligible shares.

In addition, monies are not permitted to be used to finance buy-outs or otherwise to acquire existing businesses or shares.

There is also an annual limit for each investee company which provides that they may not raise more than £5 million of state aid investment (including from VCTs) in the 12 months ending on the date of each investment (£10 million for Knowledge Intensive Companies).

Maximum Single Investment Test

The value of any one investment has, at any time in the period, not represented more than 15 per cent of the Company's total investment value. This is calculated at the time of investment and further additions and therefore cannot be breached passively.

The Budget in November 2017 introduced further changes that come into effect in future years and more detail on these is given on page 16 of the annual report under the heading "Budget Highlights and Patient Capital Review".

Further restrictions placed on VCTs are:

Dividends from cancelled share premium

The Finance Act 2014 introduced a restriction with respect to the use of monies in respect of VCTs. In particular, no dividends can be paid out of cancelled share premium arising from shares allotted on or after 6 April 2014 until at least three full financial years have elapsed from the date of allotment.

Of amounts relating to cancelled share premium £20.24 million remains undistributable until on or after 1 January 2019.

Other

The Finance (No. 2) Act 2015 imposes further conditions in respect of investments, including those regarded as non-qualifying investments, including:

i) An aggregate limit of £12 million (or £20 million for Knowledge Intensive Companies) on the amount of State Aid Risk Finance investment a business can receive during its lifetime;

ii) No more than seven years can have elapsed since the first commercial sale achieved by the business (ten years in the case of a Knowledge Intensive Company), unless:
   a. the business has previously received an investment from a fund that has received state aid; or
   b. the investment comprises more than 50 per cent of the average of the previous five years' turnover and the funds are to be used in the business to fund growth into new product markets and/or new geographies.

INVESTMENT PERFORMANCE

Portfolio Structure and Diversity

Set out on page 13 of the annual report is a profile of the investment portfolio by age, value compared to cost, investment instrument and industry sector. This illustrates the broad range of the investment portfolio with 71 per cent of the portfolio valuation being held for more than 3 years, whilst 88 per cent is held at cost or above. 47 per cent of the portfolio's value is held in income generating financial instruments.

Investment Review

The portfolio delivered a strong performance in the year, with a return of £2.25 million on the opening value and income of £1.41 million.

Your portfolio

The portfolio as a whole delivered an increased value of £2.25 million in the year, as shown in Table A below. A value gain of £1.45 million has come from the unquoted portfolio with strong performances from Matillion Limited, GTK (Holdco) Limited, Deep-Secure Ltd and Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office) offset by the impact of difficult trading conditions at DisplayPlan Holdings Limited, Immunobiology Limited and The Heritage Window Company Holdco Limited. DisplayPlan suffered from its exposure to the retail sector, with a number of clients cutting back expenditure. Management at Heritage Windows has been changed and in December 2017 its funding was restructured, receiving additional funding of £0.5 million with the new team investing alongside to drive future performance.

Table A **Investment portfolio**	**£million**	**%**
Unquoted value gain	1.45	64
Quoted value gain	0.76	34
Gain on disposal over opening value	0.01	1
	2.22	99
Gain from deferred proceeds	0.03	1
Total value movement	**2.25**	**100**

At 31 December 2017 the investment portfolio was valued at £40.42 million, representing 68.4 per cent of net assets (70.1 per cent at 31 December 2016). Cash at 31 December 2017 was £17.67 million representing 29.9 per cent of net assets (28.3 per cent at 31 December 2016). In April 2016 a new VCT rule came into force preventing your Company from holding deposits with more than seven days' notice. While this did not require pre-existing deposit/notice accounts to be closed, over time this will limit the level of income that can be generated from cash awaiting investment. As a result the Board continues to review alternative investments that would generate a higher level of income while minimising the level of risk.

Other Significant Investment Movements

Investments

During the year ended 31 December 2017 the Company completed 5 investments totalling £2.37 million. This comprised 2 new investments of £1.80 million and 3 follow-on investments of £0.57 million. The analysis of these investments is shown in Table B below. The case study on page 17 of the annual report gives more information on the investment in Friska Limited.

Table B **Date**	**Company**	**Investments made £million**		
		New	**Follow-on**	**Total**
Mar-17	PowerOasis Limited	-	0.06	0.06
Jun-17	Sipsynergy (via Hosted Network Services Ltd)	-	0.41	0.41
Jun-17	Immunobiology Limited	-	0.10	0.10
Jul-17	Friska Limited	1.20	-	1.20
Sep-17	e2E Engineering Limited	0.60	-	0.60
	Invested in the year	1.80	0.57	2.37
	Capitalised interest and dividends			0.06
	Total additions in the year			**2.43**

Disposal of Investments

During the year to 31 December 2017 the Company received proceeds from disposals, repayments of loans/preference shares and deferred consideration of £3.57 million. Overall this resulted in a value gain on disposal of investments of £0.04 million above the 31 December 2016 valuations as set out in Table C. The case study on page 17 of the annual report gives some insight into the value created from the investment in Selima Holding Company Ltd.

Table C **Disposal of Investments**	**Net proceeds from sales of investments £million**	**Opening value 31 December 2016 £million**	**Gain on opening value £million**
Sale of portfolio investments	3.54	3.53	0.01
Deferred proceeds received	0.03	-	0.03
Total investment disposals	**3.57**	**3.53**	**0.04**

The sale of Selima Holding Company Ltd and Harvey Jones Holdings Limited account for £1.56 million of the proceeds contributing a combined profit on cost of £0.81 million. The quoted portfolio delivered proceeds of £0.64 million with a profit on cost of £0.47 million.

Further analysis of all investments sold in the year can be found in note 7 to the financial statements on page 64 of the annual report.

Portfolio Composition

As at 31 December 2017 the portfolio had a value of £40.42 million which comprised £38.14 million in unquoted investments (94 per cent) and £2.28 million in quoted investments (6 per cent). An analysis of the movements in the year is shown on page 61 of the annual report.

The portfolio remains well diversified, with 24 of 38 investments having a value greater than £0.5 million, compared to 26 a year earlier, with the single largest investment representing 5.6 per cent of the net asset value.

The charts on page 13 of the annual report show the composition of the portfolio as at 31 December 2017 by industry sector, age of investment, investment instrument and the valuation compared to cost. This demonstrates representation across a wide range of industry sectors.

Valuation Policy

Unquoted investments are valued in accordance with the valuation policy set out in note 1 on pages 54 and 55 of the annual report, which takes account of current industry guidelines for the valuation of venture capital portfolios. Adjustments to fair value are made where an investment is significantly under-performing. As at 31 December 2017 the value of investments falling into each valuation category is shown in Table D. Now that the focus of new investments is on younger businesses that are investing for growth a higher proportion of valuations are based on a multiple of sales. This is likely to increase as the more mature companies in the portfolio are divested.

Table D **Valuation Policy**	**Valuation £million**	**% of portfolio by value**
Earnings multiple	24.19	60
Sales multiple	6.96	17
Cost, reviewed for change in fair value	5.37	13
Price of recent investment, reviewed for change in fair value	1.62	4
Quoted investments at bid price	2.28	6
Total	**40.42**	**100**

Budget Highlights and Patient Capital Review

It was pleasing that the Government reaffirmed its commitment to the Venture Capital Trust Schemes as one of the tools to support investment in the UK's small businesses which remain an engine of future growth and innovation. The changes announced seek to focus investment on earlier stage higher risk businesses and away from any capital preservation/asset-backed investments and also to achieve higher levels of investment in qualifying companies.

There are two new qualifying investment tests; the first is that for the Company as a whole 80 per cent of its investments will have to be held in Qualifying Investments as opposed to the current test of 70 per cent; for the Company this comes into force from 1 January 2020. The second test applies to financial years commencing on or after 6 April 2019 where 30 per cent of any funds raised have to be invested in Qualifying Investments within 12 months. This will apply for the year ending 31 December 2020. It is not believed that either of these changes will significantly impact the Company.

There are also proposed changes to the investment instruments that VCTs can use. In particular the use of loan structures will have conditions, these include that loans will have to be unsecured and be subject to a principles-based test with what is described as a safe harbour restricting the return on debt instruments to no more than 10 per cent on average over a five year period. Whilst this will have some limited impact on the Company, the majority of investments made subsequent to November 2015 have not included significant levels of loan stock.

The Government published the results of its consultation known as the Patient Capital Review at the same time as the November 2017 Budget.

Full details can be found at

www.gov.uk/government/uploads/system/uploads/attachment_data/file/661398/Patient_Capital_Review_Consultation_response_web.pdf

Summary and Outlook

In addition to the recent investment in Ncam Technologies Limited HMRC has now granted advance assurance in respect of a number of other investments. There is a good pipeline of enquiries following these. We continue to lobby HMRC and HM Treasury to improve the speed of advance assurances. We continue to pro-actively manage the portfolio seeking to add to, enhance and support the management teams that operate the businesses in which the Company is investing as well as setting agendas for realisations, re-investment and further fundraisings. As the portfolio realises and matures the nature of the underlying investments is likely to change with a greater proportion of equity instruments into younger businesses.

David Hall
YFM Private Equity Limited

Investment Portfolio Summary at 31 December 2017

Name of company	Date of initial investment	Location	Industry Sector	Current cost £000	Valuation at 31 December 2017 £000	Proceeds to date £000	Realised & unrealised value to date* £000
Unquoted portfolio							
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	May-14	Alloa	Business Services	1,956	3,307	-	3,307
ACC Aviation (via NewAcc (2014) Limited)	Nov-14	Reigate	Business Services	760	3,119	618	3,737
Mangar Health Limited	Jan-14	Powys	Healthcare	1,640	2,641	-	2,641
KeTech Enterprises Limited	Nov-15	Nottingham	Software, IT & Telecommunications	2,000	2,336	-	2,336
Matillion Limited	Nov-16	Knutsford	Software, IT & Telecommunications	1,400	2,222	-	2,222
GTK (Holdco) Limited	Oct-13	Basingstoke	Manufacturing & Industrial	295	1,950	1,055	3,005
Springboard Research Holdings Limited	Oct-14	Milton Keynes	Business Services	1,765	1,930	-	1,930
Gill Marine Holdings Limited	Sep-13	Nottingham	Retail & Brands	1,870	1,922	-	1,922
Business Collaborator Limited	Nov-14	Reading	Software, IT & Telecommunications	1,340	1,802	-	1,802
Leengate Holdings Limited	Dec-13	Derbyshire	Manufacturing & Industrial	934	1,522	-	1,522
Deep-Secure Ltd	Dec-09	Malvern	Software, IT & Telecommunications	500	1,276	-	1,276
Friska Limited	Jul-17	Bristol	Retail & Brands	1,200	1,200	-	1,200
DisplayPlan Holdings Limited	Jan-12	Baldock	Business Services	70	1,109	820	1,929
Sipsynergy (via Hosted Network Services Limited)	Jun-16	Ware	Software, IT & Telecommunications	1,309	1,074	-	1,074
Wakefield Acoustics (via Malvar Engineering Limited)	Dec-14	Heckmondwike	Manufacturing & Industrial	720	1,058	41	1,099
Traveltek Group Holdings Limited	Oct-16	East Kilbride	Software, IT & Telecommunications	980	1,001	-	1,001
Macro Art Holdings Limited	Jun-14	Cambridgeshire	Business Services	523	912	316	1,228
Biz2Mobile Limited	Oct-16	Oxfordshire	Software, IT & Telecommunications	1,000	863	-	863
Immunobiology Limited	Jun-03	Cambridge	Healthcare	2,482	806	-	806
Seven Technologies Holdings Limited	Apr-12	Belfast	Software, IT & Telecommunications	1,238	619	762	1,381
e2E Engineering Limited	Sep-17	Welwyn Garden City	Software, IT & Telecommunications	600	600	-	600
TeraView Limited	Dec-11	Cambridge	Software, IT & Telecommunications	377	557	-	557
Bagel Nash Group Limited	Jul-11	Leeds	Retail & Brands / Manufacturing & Ind Services	630	507	200	707
Other investments £0.5 million and below				4,526	3,808	409	4,217
Total unquoted investments				**30,115**	**38,141**	**4,221**	**42,362**
Quoted portfolio							
Iomart Group plc	May-11	Glasgow	Software, IT & Telecommunications	119	529	209	738
Other investments £0.5 million and below				1,129	1,753	1,466	3,219
Total quoted investments				**1,248**	**2,282**	**1,675**	**3,957**
				31,363	**40,423**	**5,896**	**46,319**
Full disposals to date				22,534	-	28,258	28,258
Total investment portfolio				**53,897**	**40,423**	**34,154**	**74,577**

* represents proceeds received to date plus the unrealised valuation at 31 December 2017.

Summary of Investment Portfolio Movement since 31 December 2016

Name of Company	Investment valuation at 31 December 2016	Disposal proceeds	Additions including capitalised interest and dividends	Valuation gains including profits / (losses) on disposal	Investment valuation at 31 December 2017
	£000	£000	£000	£000	£000
Unquoted portfolio					
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	2,951	-	-	356	3,307
ACC Aviation (via Newacc (2014) Limited	3,480	(618)	-	257	3,119
Mangar Health Limited	2,486	-	-	155	2,641
KeTech Enterprises Limited	2,000	-	-	336	2,336
Matillion Limited	1,400	-	-	822	2,222
GTK (Holdco) Limited	1,675	(446)	-	721	1,950
Springboard Research Holdings Limited	1,706	-	59	165	1,930
Gill Marine Holdings Limited	1,690	-	-	232	1,922
Business Collaborator Limited	1,743	-	-	59	1,802
Leengate Holdings Limited	1,408	-	-	114	1,522
Deep-Secure Ltd	625	-	-	651	1,276
Friska Limited	-	-	1,200	-	1,200
Displayplan Holdings Limited	2,015	-	-	(906)	1,109
Sipsynergy (via Hosted Network Services Ltd)	900	-	409	(235)	1,074
Wakefield Acoustics (via Malvar Engineering Limited)	883	-	-	175	1,058
Traveltek Group Holdings Limited	980	-	-	21	1,001
Macro Art Holdings Limited	959	(104)	-	57	912
Biz2Mobile Limited	1,000	-	-	(137)	863
Immunobiology Limited	1,486	-	100	(780)	806
Seven Technologies Holdings Limited	619	-	-	-	619
e2E Engineering Limited	-	-	600	-	600
TeraView Limited	555	-	2	-	557
Bagel Nash Group Limited	548	-	-	(41)	507
The Heritage Window Company Holdco Limited	954	-	-	(617)	337
Selima Holding Company Ltd	586	(996)	-	410	-
Harvey Jones Holdings Limited	622	(559)	-	(63)	-
Other investments £0.5 million and below	3,976	(180)	60	(385)	3,471
Total unquoted investments	**37,247**	**(2,903)**	**2,430**	**1,367**	**38,141**
Quoted portfolio					
Iomart Group plc	407	-	-	122	529
AB Dynamics plc	636	(409)	-	247	474
Other investments £0.75 million and below	1,029	(229)	-	479	1,279
Total quoted investments	**2,072**	**(638)**	**-**	**848**	**2,282**
Total	**39,319**	**(3,541)**	**2,430**	**2,215**	**40,423**

RISK FACTORS

The Board carries out a regular and robust review of the risk environment in which the Company operates. The principal risks and uncertainties identified by the Board and techniques used to mitigate these risks are set out in this section.

The Board seeks to mitigate its principal risks by setting policy, regularly reviewing performance and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in section C.2: "Risk Management & Internal Control" of The UK Corporate Governance Code issued by the Financial Reporting Council in April 2016. Details of the Company's internal controls are contained in the Corporate Governance Internal Control section on pages 38 and 39 of the annual report and further information on exposure to risks including those associated with financial instruments is given in note 17a of the annual report.

Loss of Approval as a VCT

Risk - The Company must comply with Chapter 3 Part 6 of the Income Tax Act 2007 which allows it to be exempted from corporation tax on capital gains. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.

Mitigation - One of the Key Performance Indicators monitored by the Company is the compliance with legislative tests. Details of how the Company manages these requirements can be found under the heading "Compliance with VCT Legislative Tests" on page 12 of the annual report.

Economic

Risk - Events such as recession and interest rate fluctuations could affect investee companies' performance and valuations.

Mitigation - As well as the response to 'Investment and Strategic' risk below the Company has a clear investment policy (summarised on page 8 of the annual report) and a diversified portfolio operating in a range of sectors. The Investment Adviser actively monitors investee performance which provides quality information for monthly reviews of the portfolio.

Investment and Strategic

Risk - Inappropriate strategy, poor asset allocation or consistently weak stock allocation may lead to under performance and poor returns to shareholders. The quality of enquiries, investments, investee company management teams and monitoring, and the risk of not identifying investee under performance might also lead to under performance and poor returns to shareholders.

Mitigation **-** The Board reviews strategy annually. At each of the Board meetings the directors review the appropriateness of the Company's objectives and stated strategy in response to changes in the operating environment and peer group activity. The Investment Adviser carries out due diligence on potential investee companies and their management teams and utilises external reports where appropriate to assess the viability of investee businesses before investing. Wherever possible a non-executive director will be appointed to the board of the investee on behalf of the Company.

Regulatory

Risk - The Company is required to comply with the Companies Act 2006, the rules of the UK Listing Authority, the Prospectus Rules made by the Financial Conduct Authority and International Financial Reporting Standards as adopted by the European Union and is subject to the EU's Alternative Investment Fund Manager's Directive. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Mitigation - The Investment Adviser and the Company Secretary have procedures in place to ensure recurring Listing Rules requirements are met and actively consult with brokers, solicitors and external compliance advisers as appropriate. The key controls around regulatory compliance are explained on pages 38 and 39 of the annual report.

Reputational

Risk - Inadequate or failed controls might result in breaches of regulations or loss of shareholder trust.

Mitigation - The Board is comprised of directors with suitable experience and qualifications who report annually to the shareholders on their independence. The Investment Adviser is well-respected with a proven track record and has a formal recruitment process to employ experienced investment staff. Allocation rules relating to co-investments with other funds managed/advised by the Investment Adviser, have been agreed between the Investment Adviser and the Company. Advice is sought from external advisors where required. Both the Company and the Investment Adviser maintain appropriate insurances.

Operational

Risk - Failure of the Investment Adviser's and administrator's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.

Mitigation - The Investment Adviser has a documented business continuity plan, which provides for back-up services in the event of a system breakdown.

Financial

Risk – Inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.

Mitigation - The key controls around financial reporting are described on pages 38 and 39 of the annual report.

Market/Liquidity
Risk – Lack of liquidity in both the venture capital and public markets. Investment in unquoted and AIM quoted companies, by their nature, involve a higher degree of risk than investment in companies trading on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. The fact that a share is traded on AIM or on the main market does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. The market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

Mitigation - Overall liquidity risks are monitored on an ongoing basis by the Investment Adviser and on a quarterly basis by the Board.

OTHER MATTERS

Environment

The Board recognises the requirement under Section 414C of the Companies Act 2006 to detail information about environmental matters (including the impact of the Company's business on the environment), employee, human rights, social and community issues, including information about any policies it has in relation to these matters and effectiveness of these policies.

The Company seeks to ensure that its business is conducted in a manner that is responsible to the environment, and has introduced an electronic communications policy. This policy has led to a significant increase in the number of such communications, with a commensurate reduction in the distribution of hard copy documents. The management and administration of the Company is undertaken by the Investment Adviser. YFM Private Equity Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies to reduce any damage that might be caused by its activities. Initiatives of the Investment Adviser designed to minimise its and the Company's impact on the environment include recycling and reducing energy consumption.

Given the size and nature of the Company's activities and the fact that it has no employees, the Board considers there is limited scope to develop and implement social and community policies.

Anti-Bribery and Corruption Policy

The Company has a zero tolerance approach to bribery. The following is a summary of its policy:

- it is the Company's policy to conduct all of its business in an honest and ethical manner. The Company is committed to acting professionally, fairly and with integrity in all its business dealings and relationships;
- the directors of the Company, the Investment Adviser and any other service providers must not promise, offer, give, request, agree to receive or accept financial or other advantage in return for favourable treatment, to influence a business outcome or gain any business advantage on behalf of the Company or encourage others to do so; and
- the Company has communicated its anti-bribery policy to the Investment Adviser and its other service providers.

The Company had no employees during the year. The Board is composed of three male non-executive directors. For a review of the policies used when appointing directors to the Board of the Company please refer to the Directors' Remuneration Report on pages 40 to 42 of the annual report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors are required to prepare the financial statements and have elected to prepare the Company's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare a strategic report, directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website at www.bscfunds.com in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- the financial statements have been prepared in accordance with IFRSs as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and

- the annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit Committee, the Board considers the annual report and accounts, taken as a whole, are fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The names and functions of all the directors are stated on page 30 of the annual report.

This statement was approved by the Board and signed on its behalf on 16 March 2018.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 Revenue £000	2017 Capital £000	2017 Total £000	2016 Revenue £000	2016 Capital £000	2016 Total £000
Gains on investments held at fair value	7	**-**	**2,209**	**2,209**	-	704	704
Income	2	**1,413**	**-**	**1,413**	1,937	-	1,937
Gain on disposal of investments	7	**-**	**40**	**40**	-	339	339
Total income		**1,413**	**2,249**	**3,662**	1,937	1,043	2,980
Administrative expenses:							
Investment Adviser's fee		**(289)**	**(866)**	**(1,155)**	(280)	(839)	(1,119)
Other expenses		**(438)**	**-**	**(438)**	(449)	-	(449)
	3	**(727)**	**(866)**	**(1,593)**	(729)	(839)	(1,568)
Profit before taxation		**686**	**1,383**	**2,069**	1,208	204	1,412
Taxation	4	**(73)**	**73**	**-**	(116)	116	-
Profit for the year		**613**	**1,456**	**2,069**	1,092	320	1,412
Total comprehensive income for the year		**613**	**1,456**	**2,069**	1,092	320	1,412
Basic and diluted earnings per ordinary share	6	**0.61p**	**1.46p**	**2.07p**	1.17p	0.34p	1.51p

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. 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 January 2017 with consequential amendments – "SORP") published by the AIC.

BALANCE SHEET

At 31 December 2017

	Notes	2017 £000	2016 £000
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	7	**40,423**	39,319
Trade and other receivables		**825**	837
		41,248	40,156
Current assets			
Trade and other receivables		**392**	391
Cash on fixed term deposit		**1,988**	3,037
Cash and cash equivalents		**15,681**	12,826
		18,061	16,254
Liabilities			
Current liabilities			
Trade and other payables		**(253)**	(301)
Net current assets		**17,808**	15,953
Net assets		**59,056**	56,109
Shareholders' equity			
Share capital		**10,450**	9,652
Share premium account		**257**	16,902
Capital redemption reserve		**88**	88
Other reserve		**2**	2
Merger reserve		**5,525**	5,525
Capital reserve		**32,198**	15,621
Investment holding gains and losses reserve		**9,090**	7,077
Revenue reserve		**1,446**	1,242
Total shareholders' equity		**59,056**	56,109
Net asset value per ordinary share	8	**58.8p**	59.7p

The financial statements were approved and authorised for issue by the Board of directors and were signed on its behalf on 16 March 2018.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital	Share premium account	Other reserves[1]	Capital reserve	Investment holding gains and losses reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 December 2015	**8,939**	**13,337**	**5,615**	**20,781**	**5,127**	**1,051**	**54,850**
Revenue return for the year	-	-	-	-	-	*1,208*	*1,208*
Capital expenses	-	-	-	*(839)*	-	-	*(839)*
Investment holding gain on investments held at fair value	-	-	-	-	*704*	-	*704*
Realisation of investments in the year	-	-	-	*339*	-	-	*339*
Taxation	-	-	-	*116*	-	*(116)*	-
Total comprehensive (expense) income for the year	-	-	-	(384)	704	1,092	1,412
Issue of share capital	*568*	*3,030*	-	-	-	-	*3,598*
Issue costs [2]	-	*(146)*	-	-	-	-	*(146)*
Purchase of own shares	-	-	-	*(240)*	-	-	*(240)*
Issue of shares – DRIS	*145*	*681*	-	-	-	-	*826*
Dividends	-	-	-	*(3,321)*	-	*(870)*	*(4,191)*
Total transactions with owners	713	3,565	-	(3,561)	-	(870)	(153)
Transfer between reserves	-	-	-	(1,933)	1,964	(31)	-
Realisation of prior year investment holding gains	-	-	-	718	(718)	-	-
Balance at 31 December 2016	**9,652**	**16,902**	**5,615**	**15,621**	**7,077**	**1,242**	**56,109**
Revenue return for the year	-	-	-	-	-	*686*	*686*
Capital expenses	-	-	-	*(866)*	-	-	*(866)*
Investment holding gain on investments held at fair value	-	-	-	-	*2,209*	-	*2,209*
Realisation of investments in the year	-	-	-	*40*	-	-	*40*
Taxation	-	-	-	*73*	-	*(73)*	-
Total comprehensive (expense) income for the year	-	-	-	(753)	2,209	613	2,069
Issue of share capital	*679*	*3,571*	-	-	-	-	*4,250*
Issue costs [2]	-	*(176)*	-	*(10)*	-	-	*(186)*
Cancellation of share premium account, net of costs	-	*(20,579)*	-	*20,569*	-	-	*(10)*
Purchase of own shares	-	-	-	*(814)*	-	-	*(814)*
Issue of shares – DRIS	*119*	*539*	-	-	-	-	*658*
Dividends	-	-	-	*(2,611)*	-	*(409)*	*(3,020)*
Total transactions with owners	798	(16,645)	-	17,134	-	(409)	878
Realisation of prior year investment holding gains	-	-	-	196	(196)	-	-
Balance at 31 December 2017	**10,450**	**257**	**5,615**	**32,198**	**9,090**	**1,446**	**59,056**

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	Revenue reserve	Total
	£000	£000	£000
Distributable reserves as above	**32,198**	**1,446**	**33,644**
Less : Interest and dividends not yet distributable	-	(1,181)	(1,181)
: Cancelled share premium not yet distributable	(21,922)	-	(21,922)
Reserves available for distribution[3]	**10,276**	**265**	**10,541**

1. Other reserves include the capital redemption reserve, the merger reserve and the other reserve, which are non-distributable. The other reserve was created upon the exercise of warrants, the capital redemption reserve was created for the purchase and cancellation of own shares, and the merger reserve was created on the merger with British Smaller Technologies Company VCT plc.
2. Issue costs include both fundraising costs and costs incurred from the Company's DRIS.
3. Subject to filing these financial statements at Companies House, see table below.

The merger reserve was created to account for the difference between the nominal and fair value of shares issued as consideration for the acquisition of the assets and liabilities of British Smaller Technology Companies VCT plc. The reserve was created after meeting the criteria under section 131 of the Companies Act 1985 and the provisions of the Companies Act 2006 for merger relief. The merger reserve is a non-distributable reserve.

The capital reserve and revenue reserve are both distributable reserves. The reserves total £33,644,000 representing an increase of £16,781,000 during the year. 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 £33,644,000 shown above, £1,181,000 relates to interest and dividends not yet distributable and £21,922,000 of cancelled share premium which becomes distributable from 1 January 2018 onwards (see below).

The total amount held in the share premium account at 30 June 2017 (£20,579,000) was cancelled on 21 September 2017.

This reduction enables the Company to create distributable reserves which may be used for the purposes of buy-backs of the Company's shares, thereby improving the liquidity of its shares and minimising their discount to net asset value, and for other corporate purposes capable of being undertaken by the Company from time to time.

Total share premium cancelled including £1,343,000 previously cancelled will be available for distribution from the following dates.

	£000
1 January 2018	1,343
Date of filing these financial statements at Companies House	342
1 January 2019	12,995
1 January 2020	3,565
1 January 2021	3,677
Cancelled share premium not yet distributable	**21,922**

On filing these financial statements at Companies House the reserves available for distribution will be £12,226,000.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Net cash (outflow) inflow from operating activities		**(211)**	20
Cash flows from (used in) investing activities			
Purchase of financial assets at fair value through profit or loss	7	**(2,371)**	(4,508)
Proceeds from sale of financial assets at fair value through profit or loss		**3,479**	2,874
Deferred consideration		**34**	183
Cash maturing from (placed on) fixed term deposit		**1,049**	(1,045)
Net cash inflow (outflow) from investing activities		**2,191**	(2,496)
Cash flows from (used in) financing activities			
Issue of ordinary shares		**4,230**	3,598
Costs of ordinary share issues*		**(166)**	(146)
Purchase of own ordinary shares		**(814)**	(240)
Share premium cancellation costs		**(10)**	-
Dividends paid	5	**(2,365)**	(3,354)
Net cash inflow (outflow) from financing activities		**875**	(142)
Net increase (decrease) in cash and cash equivalents		**2,855**	(2,618)
Cash and cash equivalents at the beginning of the year		**12,826**	15,444
Cash and cash equivalents at the end of the year		**15,681**	12,826

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

Reconciliation of Profit before Taxation to Net Cash (Outflow) Inflow from Operating Activities

	2017 £000	2016 £000
Profit before taxation	**2,069**	1,412
(Decrease) increase in trade and other payables	**(45)**	6
Decrease (increase) in trade and other receivables	**73**	(275)
Gain on disposal of investments	**(40)**	(339)
Gains on investments held at fair value	**(2,209)**	(704)
Capitalised interest and dividends	**(59)**	(80)
Net cash (outflow) inflow from operating activities	**(211)**	20

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

Basis of Preparation

The accounts have been prepared on a going concern basis and in accordance with 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.

The financial statements have been prepared under the historical cost basis as modified by the measurement of investments at fair value through profit or loss.

The accounts have been prepared in compliance with the recommendations 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 (issued in November 2014 and updated in January 2017 with consequential amendments – "SORP") to the extent that they do not conflict with IFRSs as adopted by the European Union.

The financial statements are prepared in accordance with IFRSs and interpretations in force at the reporting date. New standards coming into force during the year have not had a material impact on these financial statements.

Standards, amendments to 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 IFRS 9, IFRS 15, and amendments to IFRS 2 and IFRS 10. The Company has carried out an assessment and considers that these standards, amendments and interpretations, issued but not yet effective, will not affect the Company's accounting policies, results or net assets. In particular the Company will be able to continue to quantify its investments at fair value through profit and loss under IFRS 9, and will consequently not need to apply the impairment model.

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

2. Income

	2017	2016
	£000	£000
Dividends from unquoted companies	**290**	611
Dividends from AIM quoted companies	**17**	17
Interest on loans to unquoted companies	**989**	1,140
Income from investments held at fair value through profit or loss	**1,296**	1,768
Interest on bank deposits	**117**	169
	1,413	1,937

The above is stated net of £349,000 (2016: £133,000) of income in relation to loan interest and preference dividends, which has not been recognised.

3. Administrative Expenses

	2017	2016
	£000	£000
Investment Adviser's fee	**1,155**	1,119
Administration fee	**63**	62
Total payable to YFM Private Equity Limited	**1,218**	1,181
Other expenses:		
Trail commission	**120**	133
Directors' remuneration	**82**	81
General expenses	**57**	52
Listing and registrar fees	**47**	46
Printing	**26**	34
Auditor's remuneration - audit fees (excluding irrecoverable VAT)	**25**	23
Irrecoverable VAT	**18**	18
	1,593	1,568
Ongoing charges figure	**2.48%**	2.51%

Directors' remuneration comprises only short term benefits including social security contributions of £7,000 (2016: £7,000).

The directors are the Company's only key management personnel.

No fees are payable to the auditor in respect of non-audit services supplied pursuant to legislation (2016: £nil).

YFM Private Equity Limited has acted as Investment Adviser and performed administrative and secretarial duties for the Company under an agreement dated 28 November 2000, superseded by an agreement dated 31 October 2005 and as varied by agreements dated 8 December 2010, 26 October 2011, 16 November 2012, 17 October 2014 and 7 August 2015 (the "IAA"). The agreement may be terminated by not less than twelve months' notice given by either party at any time. Following the Financial Conduct Authority's registration of the Company as a Small Registered Alternative Investment Fund Manager in 2014, the Company has retained responsibility for the custody of its investments.

The key features of the agreement are:

YFM Private Equity Limited receives an Investment Adviser fee, payable quarterly in advance, calculated at half-yearly intervals as at 30 June and 31 December. The fee is allocated between capital and revenue as described in note 1;

The annual advisory fee payable to the Investment Adviser is 2.50 per cent of net assets up to £16.0 million, 1.25 per cent of net assets in excess of £16.0 million and up to £26.667 million, and 2.00 per cent of net assets in excess of £26.667 million. Based on the Company's net assets at 31 December 2017 of £59.056 million, this equates to 2.0 per cent of net assets, or £1,181,000 per annum;

YFM Private Equity Limited shall bear the annual operating costs of the Company (including the advisory fee set out above but excluding any payment of the performance incentive fee, details of which are set out below and excluding VAT and trail commissions) to the extent that those costs exceed 2.9 per cent of the net asset value of the Company; and

Under the IAA YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee of £46,000 per annum plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged fully to revenue, and totalled £63,000 for the year ended 31 December 2017 (2016: £62,000).

When the Company makes investments into its unquoted portfolio the Investment Adviser charges that investee an advisory fee. With effect from 1 October 2013 if the average of relevant fees exceeds 3.0 per cent of the total invested into new portfolio companies and 2.0 per cent into follow-on investments over the Company's financial year, this excess will be rebated to the Company. As at 31 December 2017, the Company was due a rebate from the Investment Adviser of £nil (2016: £nil).

Monitoring and directors' fees the Investment Adviser receives from the investee companies are limited to a maximum of £40,000 (excluding VAT) per annum per company.

The total remuneration payable to YFM Private Equity Limited under the IAA in the year was £1,218,000 (2016: £1,181,000).

Under the IAA, YFM Private Equity Limited is entitled to receive fees from investee companies in respect of the provision of non-executive directors and other advisory services. YFM Private Equity Limited is responsible for paying the due diligence and other costs incurred in connection with proposed investments which for whatever reason do not proceed to completion. In the year ended 31 December 2017 the fees receivable by YFM Private Equity Limited from investee companies which were attributable to advisory and directors' and monitoring fees amounted to £385,000 (2016: £412,000).

Under the Subscription Rights Agreement dated 23 November 2001 between the Company, YFM Private Equity Limited and Chord Capital Limited ("Chord" formerly Generics Asset Management Limited), as amended by an agreement between those parties dated 31 October 2005, YFM Private Equity Limited and Chord have a performance-related incentive, structured so as to entitle them to an amount (satisfied by the issue by the Company of ordinary shares) equivalent to 20 per cent of the amount by which the cumulative dividends per ordinary share paid as at the last business day in December in any year, plus the average of the middle market price per ordinary share on the five dealing days prior to that day, exceeds 120 pence per ordinary share, multiplied by the number of ordinary shares issued and the ordinary shares under option (if any) (the "Hurdle"). Under the terms of the Subscription Rights Agreement, once the Hurdle has been exceeded it is reset at that value going forward, which becomes the new Hurdle. Any subsequent exercise of these rights will only occur once the new Hurdle has been exceeded. The subscription rights are exercisable in the ratio 95:5 between the Investment Adviser and Chord Capital Limited.

By a Deed of Assignment dated 19 December 2003 (together with a supplemental agreement dated 5 October 2005), the benefit of the YFM Private Equity Limited subscription right was assigned to YFM Private Equity Limited Carried Interest Trust (the "Trust"), an employee benefit trust formed for the benefit of certain employees of YFM Private Equity Limited and associated companies. Pursuant to a deed of variation dated 16 November 2012 between the Company, the trustees of the Trust and Chord, the Subscription Rights Agreement was varied so that the subscription rights will be exercisable in the ratio of 95:5 between the trustees of the Trust and Chord. Pursuant to a deed of variation dated 5 August 2014 the Subscription Rights Agreement was varied so that the recipient was changed from the Trust to YFM Private Equity Limited.

As at 31 December 2017 the total of cumulative cash dividends paid and mid-market price was 110.50 pence per ordinary share. No shares have been issued under this agreement.

Under the terms of the offer launched on 3 January 2017, YFM Private Equity Limited was entitled to 5.0 per cent of gross subscriptions from execution brokers and 3.0 per cent of gross subscriptions for applications through intermediaries offering financial advice or directly from applicants, less the cost of incentive shares and re-investment of intermediary commission. The net amount paid to YFM Private Equity Limited under this offer amounted to £148,597.

The Investment Adviser met all costs and expenses arising from this offer out of this fee, including any payment or re-investment of initial intermediary commissions.

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 41 of the annual report under the heading "Directors' Remuneration for the year ended 31 December 2017 (audited)".

4. Taxation

	2017			2016		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Profit before taxation	**686**	**1,383**	**2,069**	1,208	204	1,412
Profit before taxation multiplied by standard rate of corporation tax in UK of 19.25% (2016: 20%)	**132**	**266**	**398**	242	40	282
Effect of:						
UK dividends received	**(59)**	**-**	**(59)**	(126)	-	(126)
Non-taxable profits on investments	**-**	**(433)**	**(433)**	-	(209)	(209)
Excess advisory expenses	**-**	**94**	**94**	-	53	53
Tax charge (credit)	**73**	**(73)**	**-**	116	(116)	-

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

Deferred tax assets of £596,000 (2016: £514,000) calculated at 17% in respect of unrelieved management expenses (£3.51 million as at 31 December 2017 and £3.02 million as at 31 December 2016) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which assets can be recovered.

Due to the Company's status as a venture capital trust and the continued intention to meet with the conditions required to comply with Section 274 of the Income Tax Act 2007, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

5. Dividends

Amounts recognised as distributions to equity holders in the period to 31 December:

	2017			2016		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Final dividend for the year ended 31 December 2016 of 1.5p (2015: 2.5p) per ordinary share	**177**	**1,334**	**1,511**	277	2,045	2,322
Interim dividend for the year ended 31 December 2017 of 1.5p (2016: 2.0p) per ordinary share	**232**	**1,277**	**1,509**	593	1,276	1,869
	409	**2,611**	**3,020**	870	3,321	4,191
Shares allotted under DRIS			**(658)**			(826)
Unclaimed dividends			**3**			(11)
Dividends paid in Statement of Cash Flows			**2,365**			**3,354**

The final year-end dividend of 1.5 pence per ordinary share in respect of the year to 31 December 2016 was paid on 12 May 2017 to shareholders on the register at 31 March 2017.

The interim dividend of 1.5 pence per ordinary share was paid on 29 September 2017 to shareholders on the register as at 1 September 2017.

A final dividend of 1.5 pence per ordinary share in respect of the year to 31 December 2017 is proposed. This dividend has not been recognised in the year ended 31 December 2017 as the obligation did not exist at the balance sheet date.

During the year the Company has received £nil (2016: £14,000) from the Registrars in respect of unclaimed dividends. The Company has made efforts to contact the relevant shareholders, with the result that £3,000 (2016: £3,000) has been paid to shareholders in the year. The unclaimed balance is held in a separate bank account until contact can be made with the shareholders affected.

6. Basic and Diluted Earnings per Ordinary Share

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to shareholders of £2,069,000 (2016: £1,412,000) and 99,881,803 (2016: 93,363,744) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue earnings per ordinary share is based on the profit for the year attributable to shareholders of £613,000 (2016: £1,092,000) and 99,881,803 (2016: 93,363,744) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital earnings per ordinary share is based on the capital profit for the year attributable to shareholders of £1,456,000 (2016: £320,000) and 99,881,803 (2016: 93,363,744) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company allotted 6,787,231 new ordinary shares from a top up offer, and 1,189,635 new ordinary shares in respect of its DRIS.

The Company has also repurchased 1,460,605 of its own shares in the year, and these shares are held in the capital reserve. The total of 4,006,351 treasury shares has been excluded in calculating the weighted average number of ordinary shares for 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 Subscription Rights Agreement as set out in note 3. No such shares have been issued or are currently expected to be issued because the conditions have not been met at the year end. Consequently, basic and diluted earnings per ordinary share are equivalent in both the year ended 31 December 2017 and 31 December 2016.

7. Financial Assets at Fair Value through Profit or Loss

Movements in investments at fair value through profit or loss during the year to 31 December 2017 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1	
	Unquoted Investments	Quoted Equity Investments	**Total Investments**
	£000	£000	**£000**
Opening cost	30,853	1,419	**32,272**
Opening investment holding gain	6,394	653	**7,047**
Opening fair value at 1 January 2017	**37,247**	**2,072**	**39,319**
Additions at cost	2,371	-	**2,371**
Capitalised interest and dividends	59	-	**59**
Disposal proceeds	(2,903)	(638)	**(3,541)**
Net (loss) profit on disposal*	(87)	93	**6**
Change in fair value	1,454	755	**2,209**
Closing fair value at 31 December 2017	**38,141**	**2,282**	**40,423**
Closing cost	30,115	1,248	**31,363**
Closing investment holding gain**	8,026	1,034	**9,060**
Closing fair value at 31 December 2017	**38,141**	**2,282**	**40,423**

*The net profit on disposal in the table above is £6,000 whereas that shown in the Statement of Comprehensive Income is £40,000. The difference comprises deferred proceeds of £34,000 in respect of assets which have been disposed of in prior years and are not included within the investment portfolio at 1 January 2017.

**Following the merger between the Company and British Smaller Technologies Company VCT plc a total of £975,000 of negative goodwill was recognised in the investment holding gains and losses reserve in respect of the investments acquired. The relevant amount per investment is realised at the point of disposal to the capital reserve. At 31 December 2017 a total of £30,000 (2016: £30,000) was held on investments yet to be realised in the investment holdings gains and losses reserve.

There were no individual reductions in fair value during the year that exceeded 5 per cent of the total assets of the Company (2016: £nil).

8. 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 £59,056,000 (2016: £56,109,000) and 100,490,575 (2016: 93,974,314) ordinary shares in issue at the year end.

The treasury shares have been excluded in calculating the number of ordinary shares in issue at 31 December 2017.

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 Subscription Rights Agreement as set out in note 3. No such shares have been issued or are currently expected to be issued because the conditions have not been met at the year end. Consequently, basic and diluted net asset values per ordinary share are equivalent in both the year ended 31 December 2017 and 31 December 2016.

9. Total Return per Ordinary Share

The total return per ordinary share is calculated on cumulative dividends paid of 55.5 pence per ordinary share (2016: 52.5 pence per ordinary share) plus the net asset value as calculated per note 8.

10. Financial Commitments

There are no financial commitments at 31 December 2017.

11. Related Party Transactions

Mr R Last is chairman and non-executive director of Gamma Communications plc, in which he has a 0.06 per cent equity stake. During the year to 31 December 2017 he received remuneration of £76,500 from Gamma in respect of his services.

12. Events after the Balance Sheet Date

On 16 February 2018 the Company allotted a total of 7,366,700 ordinary shares pursuant to the offer detailed under “Fundraising” on page 6 of the annual report, raising net proceeds of approximately £4.3 million.

In March 2018 the Company made a new investment of £0.98 million into Ncam Technologies Limited and also made a follow-on investment of £0.38 million into Matillion Limited.

13. Annual Report and Accounts

Copies of the statutory accounts for the year ended 31 December 2017 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at www.hemscott.com/msn/do. They can also shortly be viewed on the Company's website at www.bscfunds.com. Hard copies of the statutory accounts for the year to 31 December 2017 will be distributed by post or electronically to shareholders and will thereafter be available to members of the public from the Company's registered office.

14. Directors

The directors of the Company are: Mr R Last, Mr P C Waller and Mr R M Pettigrew.

15. Annual General Meeting

The Annual General Meeting of the Company will be held at 12.00 noon on 9 May 2018 at 33 St James Square, London, SW1Y 4JS.

16. Final Dividend for the Year Ended 31 December 2017

Further to the announcement of its final results for the year ended 31 December 2017, the Company confirms that, subject to its approval by shareholders at the forthcoming Annual General Meeting to be held on 9 May 2018, the final dividend of 1.5 pence per ordinary share ("Final Dividend") will be paid on 11 May 2018 to those shareholders on the Company's register at the close of business on 3 April 2018. The ex-dividend date will be 29 March 2018.

17. Dividend Re-investment Scheme

The Company operates a dividend re-investment scheme ("DRIS"). The latest date for receipt of DRIS elections so as to participate in the DRIS in respect of the Final Dividend is the close of business on 26 April 2018.

18. Inside Information

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

For further information, please contact:

David Hall	YFM Equity Partners Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 886 2715

British Smaller Companies VCT2 plc (“the Company”)

Purchase of Own Securities and Total Voting Rights

The Company announces that on 27 March 2018 it purchased 415,000 ordinary shares of 10 pence each at a price of 56.36 pence per ordinary share. The shares purchased represent 0.38 per cent of the total number of voting rights in the Company before the transaction. These shares will be held in treasury.

The last reported net asset value as at 31 December 2017 was 58.8 pence per ordinary share.

If these shares had been purchased prior to the quarter ended 31 December 2017 the unaudited net asset value per ordinary share of the Company at that date would have been unaltered at 58.8 pence per ordinary share.

The Company’s issued share capital now consists of 107,442,275 ordinary shares of 10 pence each with voting rights and 4,421,351 ordinary shares of 10 pence each held in treasury.

The above figure of 107,442,275 ordinary shares may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA’s Disclosure and Transparency Rules.

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 886 2715

British Smaller Companies VCT2 plc
Interim Management Statement
For the quarter ended 31 March 2018

British Smaller Companies VCT2 plc (the "Company") presents its interim management statement for the quarter ended 31 March 2018. The statement also includes relevant financial information between the end of the quarter and the date of this statement. A copy of this interim management statement can be found at www.bscfunds.com.

Overview

The Company has continued to make progress in the quarter with total return rising to 114.7 pence per ordinary share. This is an increase of 0.4 pence per ordinary share.

It is pleasing that improved performance across a number of investments contributed to the £0.5 million increase in Net Asset Value ("NAV") from the portfolio in the period.

A number of investments were being held up due to delays in HMRC's advance assurance process, but these have now been received, allowing the Company to have a strong start to the year, with investments totalling £4.3 million to date and a successful fundraising. The Company launched a top-up fundraising on 11 January 2018 which was fully subscribed from existing shareholders, closing on 26 January 2018 and raising net proceeds of £4.3 million.

Performance

	31 March 2018	Movement	31 December 2017
Net Assets (£m)	63.6	4.5	59.1
NAV per share (PPS)	59.2p	0.4p	58.8p
Cumulative dividends paid (PPS)	55.5p	-	55.5p
Total Return (PPS)	114.7p	0.4p	114.3p
Shares in issue	107,442,275	6,951,700	100,490,575

The total return at 31 March 2018, calculated by reference to the NAV per ordinary share and the cumulative dividends paid per ordinary share, was 114.7 pence per ordinary share compared to 114.3 pence per ordinary share at 31 December 2017. Cumulative dividends paid were unchanged at 55.5 pence per ordinary share (31 December 2017: 55.5 pence per ordinary share).

The unaudited NAV per ordinary share as at 31 March 2018 was 59.2 pence per ordinary share (31 December 2017: 58.8 pence per ordinary share) representing an increase of 0.4 pence per ordinary share primarily from the net upward movement in the overall portfolio valuation.

Dividends and shares in issue

On 16 February 2018 the Company issued 7,366,700 ordinary shares as part of the top-up fundraising, raising net proceeds of £4.3m.

On 27 March 2018 the Company purchased 415,000 ordinary shares of 10 pence each at a price of 56.36 pence per ordinary share. These shares were placed in treasury.

The number of ordinary shares in issue at 31 March 2018 was 107,442,275 (31 December 2017: 100,490,575). In addition, at 31 March 2018 the Company held 4,421,351 ordinary shares in treasury (31 December 2017: 4,006,351).

Net assets

Net assets at 31 March 2018 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	**41,951**	65.9
Quoted investments at bid price	**2,184**	3.5
Total investments	**44,135**	69.4
Cash and cash equivalents	**18,367**	28.9
Other net current assets	**1,126**	1.7
Net assets	**63,628**	100.0

The investment portfolio at 31 March 2018 was comprised as follows:

	Valuation £000	Valuation as a % of net assets
Matillion Limited	**3,292**	5.2
Intelligent Office UK	**3,246**	5.1
ACC Aviation	**3,119**	4.9
Mangar Health Limited	**2,771**	4.4
KeTech Enterprises Limited	**2,488**	3.9
Eikon Holdco Limited	**2,000**	3.1
Gill Marine Holdings Limited	**1,951**	3.1
GTK (Holdco) Limited	**1,933**	3.0
Business Collaborator Limited	**1,865**	2.9
Springboard Research Holdings Limited	**1,843**	2.9
	24,508	38.5
Other investments	**19,627**	30.9
Total investments	**44,135**	69.4

During the quarter to 31 March 2018 the Company made two new investments of £2.0 million into Eikon Holdco Limited, a leading end-to-end digital post-production services provider for the motion picture and broadcast industry and £1.0 million into Ncam Technologies Limited, a provider of innovative and leading Augmented Reality solutions for the entertainment industries. The Company also made a follow-on investment of £0.4 million into Matillion Limited as part of an £18 million series B fundraising that was supported by two US investors.

Since the end of the quarter the Company has invested £0.9 million into Hutchinson Networks Limited, a specialist in the provision of computer networking and data centre services.

In the quarter to 31 March 2018 the realisation and repayment of investments generated cash proceeds of £0.2 million.

Portfolio Performance

Over the quarter to 31 March 2018 the aggregate unrealised portfolio valuation has increased by £0.5 million.

The Board continues to follow its policy of maintaining a diversified portfolio. At 31 March 2018, only two investments represented more than 5 per cent of the Company's NAV.

Outlook

While the UK's economic performance remains subdued the Company's portfolio businesses have continued to adapt their business models and the new investment pipeline remains strong, as shown by the level of investment so far this year. HMRC's recently revised guidance on their advance assurance process could also help to improve the speed at which new investments are made.

As the latest investments show, the composition of the Company's portfolio is changing towards growth capital investments in earlier stage, younger businesses, while the success of the series B fundraising into Matillion demonstrates that the portfolio contains investments with good growth opportunities.

Your Board continues to manage the Company's portfolio in order to maximise the total return and smooth the transition to a period of expected greater volatility of returns through targeted new investments, selective realisations and periodic reviews of the Company's dividend and buy-back policies.

Your Board is committed to delivering long-term value to shareholders through a strong and diversified portfolio.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

9 May 2018

For further information please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 886 2715

British Smaller Companies VCT2 plc
Interim Management Statement
For the quarter ended 31 March 2018

British Smaller Companies VCT2 plc (the "Company") presents its interim management statement for the quarter ended 31 March 2018. The statement also includes relevant financial information between the end of the quarter and the date of this statement. A copy of this interim management statement can be found at www.bscfunds.com.

Overview

The Company has continued to make progress in the quarter with total return rising to 114.7 pence per ordinary share. This is an increase of 0.4 pence per ordinary share.

It is pleasing that improved performance across a number of investments contributed to the £0.5 million increase in Net Asset Value ("NAV") from the portfolio in the period.

A number of investments were being held up due to delays in HMRC's advance assurance process, but these have now been received, allowing the Company to have a strong start to the year, with investments totalling £4.3 million to date and a successful fundraising. The Company launched a top-up fundraising on 11 January 2018 which was fully subscribed from existing shareholders, closing on 26 January 2018 and raising net proceeds of £4.3 million.

Performance

	31 March 2018	**Movement**	**31 December 2017**
Net Assets (£m)	**63.6**	**4.5**	**59.1**
NAV per share (PPS)	**59.2p**	**0.4p**	**58.8p**
Cumulative dividends paid (PPS)	**55.5p**	**-**	**55.5p**
Total Return (PPS)	**114.7p**	**0.4p**	**114.3p**
Shares in issue	**107,442,275**	**6,951,700**	**100,490,575**

The total return at 31 March 2018, calculated by reference to the NAV per ordinary share and the cumulative dividends paid per ordinary share, was 114.7 pence per ordinary share compared to 114.3 pence per ordinary share at 31 December 2017. Cumulative dividends paid were unchanged at 55.5 pence per ordinary share (31 December 2017: 55.5 pence per ordinary share).

The unaudited NAV per ordinary share as at 31 March 2018 was 59.2 pence per ordinary share (31 December 2017: 58.8 pence per ordinary share) representing an increase of 0.4 pence per ordinary share primarily from the net upward movement in the overall portfolio valuation.

Dividends and shares in issue

On 16 February 2018 the Company issued 7,366,700 ordinary shares as part of the top-up fundraising, raising net proceeds of £4.3m.

On 27 March 2018 the Company purchased 415,000 ordinary shares of 10 pence each at a price of 56.36 pence per ordinary share. These shares were placed in treasury.

The number of ordinary shares in issue at 31 March 2018 was 107,442,275 (31 December 2017: 100,490,575). In addition, at 31 March 2018 the Company held 4,421,351 ordinary shares in treasury (31 December 2017: 4,006,351).

Net assets

Net assets at 31 March 2018 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	**41,951**	65.9
Quoted investments at bid price	**2,184**	3.5
Total investments	**44,135**	69.4
Cash and cash equivalents	**18,367**	28.9
Other net current assets	**1,126**	1.7
Net assets	**63,628**	100.0

The investment portfolio at 31 March 2018 was comprised as follows:

	Valuation £000	Valuation as a % of net assets
Matillion Limited	**3,292**	5.2
Intelligent Office UK	**3,246**	5.1
ACC Aviation	**3,119**	4.9
Mangar Health Limited	**2,771**	4.4
KeTech Enterprises Limited	**2,488**	3.9
Eikon Holdco Limited	**2,000**	3.1
Gill Marine Holdings Limited	**1,951**	3.1
GTK (Holdco) Limited	**1,933**	3.0
Business Collaborator Limited	**1,865**	2.9
Springboard Research Holdings Limited	**1,843**	2.9
	24,508	38.5
Other investments	**19,627**	30.9
Total investments	**44,135**	69.4

During the quarter to 31 March 2018 the Company made two new investments of £2.0 million into Eikon Holdco Limited, a leading end-to-end digital post-production services provider for the motion picture and broadcast industry and £1.0 million into Ncam Technologies Limited, a provider of innovative and leading Augmented Reality solutions for the entertainment industries. The Company also made a follow-on investment of £0.4 million into Matillion Limited as part of an £18 million series B fundraising that was supported by two US investors.

Since the end of the quarter the Company has invested £0.9 million into Hutchinson Networks Limited, a specialist in the provision of computer networking and data centre services.

In the quarter to 31 March 2018 the realisation and repayment of investments generated cash proceeds of £0.2 million.

Portfolio Performance

Over the quarter to 31 March 2018 the aggregate unrealised portfolio valuation has increased by £0.5 million.

The Board continues to follow its policy of maintaining a diversified portfolio. At 31 March 2018, only two investments represented more than 5 per cent of the Company's NAV.

Outlook

While the UK's economic performance remains subdued the Company's portfolio businesses have continued to adapt their business models and the new investment pipeline remains strong, as shown by the level of investment so far this year. HMRC's recently revised guidance on their advance assurance process could also help to improve the speed at which new investments are made.

As the latest investments show, the composition of the Company's portfolio is changing towards growth capital investments in earlier stage, younger businesses, while the success of the series B fundraising into Matillion demonstrates that the portfolio contains investments with good growth opportunities.

Your Board continues to manage the Company's portfolio in order to maximise the total return and smooth the transition to a period of expected greater volatility of returns through targeted new investments, selective realisations and periodic reviews of the Company's dividend and buy-back policies.

Your Board is committed to delivering long-term value to shareholders through a strong and diversified portfolio.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

9 May 2018

For further information please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 886 2715

BRITISH SMALLER COMPANIES VCT2 PLC

RESULT OF ANNUAL GENERAL MEETING

British Smaller Companies VCT2 plc (the "Company") announces that at the Annual General Meeting of the Company held on 9 May 2018 the following resolutions proposed at the meeting ("Resolutions") were duly passed.

In accordance with the Company's obligations under Listing Rule 9.6.2, copies of the Resolutions passed at the Annual General Meeting have been submitted to the National Storage Mechanism and will shortly be available for viewing at www.hemscott.com/nsm.do.

Ordinary resolutions

(1) That the annual report and accounts for the year ended 31 December 2017 be received.

(2) That the final dividend of 1.5 pence per ordinary share for the year ended 31 December 2017 be approved.

(3) That the Directors' Remuneration Report for the year ended 31 December 2017 be approved other than the part of such report containing the Directors' Remuneration Policy.

(4) That Mr P C Waller be re-elected as a director.

(5) That Mr R M Pettigrew be re-elected as a director.

(6) That Mr R Last be re-elected as a director.

(7) That BDO LLP be re-appointed as auditor to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that the directors be authorised to fix their remuneration.

(8) That the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £4,000,000, during the period commencing on the passing of this Resolution and expiring on the later of 15 months from the passing of this Resolution or the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares in the Company to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and that all previous authorities given to the directors be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

Special Resolution

(9) That the directors be and are hereby empowered in accordance with Section 570(1) of the Act during the period commencing on the passing of this Resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of this Resolution, whichever is the later, (unless previously revoked, varied or extended by the Company in general meeting), to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the general authority conferred upon the directors in Resolution 8 above as if Section 561 of the Act did not apply to any such allotment provided that this power is limited to the allotment of equity securities in connection with the allotment for cash of equity securities up to an aggregate nominal amount of £4,000,000, but so that this authority shall allow the Company to make offers or agreements before the expiry and the directors may allot securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 560(3) of the Act as if in the first

paragraph of this Resolution the words "pursuant to the general authority conferred upon the directors in Resolution 8 above" were omitted.

Proxy votes received were:

Resolution		% For	% Against	Shares Withheld
Ordinary Resolutions				
1.	To receive the annual report and accounts	99.7	0.3	1,018
2.	To approve a final dividend of 1.5 pence per ordinary share	99.8	0.2	53,710
3.	To approve the Directors' Remuneration Report	94.4	5.6	511,235
4.	To re-elect Mr P C Waller as a director	97.8	2.2	67,602
5.	To re-elect Mr R M Pettigrew as a director	96.6	3.4	70,637
6.	To re-elect Mr R Last as a director	96.9	3.1	90,106
7.	To re-appoint BDO LLP as auditor	97.0	3.0	59,161
8.	To authorise the directors to allot shares	99.1	0.9	50,023
Special Resolutions				
9.	To waive pre-emption rights in respect of the allotment of shares	92.3	7.7	159,415

9 May 2018

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 866 2715

British Smaller Companies VCT2 plc (the “Company”)
Payment of Final Dividend and Allotment of Shares

The Company announces that on 11 May 2018 it paid a final dividend of 1.5 pence per ordinary share to shareholders on the register of members of the Company as at the record date of 3 April 2018 (“Final Dividend”).

The Company further announces that on 11 May 2018 it issued and allotted 655,669 ordinary shares of 10 pence each pursuant to its dividend re-investment scheme (“DRIS”) at a price of 54.82 pence per share to shareholders of the Company who elected to receive shares instead of the Final Dividend. The subscription price of 54.82 pence per share was determined in accordance with the terms and conditions of the DRIS on the basis of the last reported Net Asset Value of 59.2 pence per ordinary share as at 31 March 2018 (adjusted for the Final Dividend of 1.5 pence per share paid today) less 5%. As a result, 22% of the Final Dividend paid by the Company, was re-invested in shares in the Company via the DRIS.

Application is now being made for the ordinary shares which were issued and allotted as set out above to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange’s Main Market for listed securities, and dealings are expected to commence on or around 25 May 2018.

Following such issue and allotment the Company’s issued share capital consists of 108,097,944 ordinary shares of 10 pence each with voting rights (“Voting Capital”) and 4,421,351 ordinary shares of 10 pence each held in treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA’s Disclosure and Transparency Rules.

For further information please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 866 2715

British Smaller Companies VCT2 plc (“the Company”)

Purchase of Own Securities and Total Voting Rights

The Company announces that on 22 June 2018 it purchased 559,500 ordinary shares of 10 pence each at a price of 55.32 pence per ordinary share. The shares purchased represent 0.52 per cent of the total number of voting rights in the Company before the transaction. These shares will be held in treasury.

The last reported net asset value as at 31 March 2018 was 59.2 pence per ordinary share.

If these shares had been purchased prior to the quarter ended 31 March 2018 the unaudited net asset value per ordinary share of the Company at that date would have been unaltered at 59.2 pence per ordinary share.

The Company’s issued share capital now consists of 107,538,444 ordinary shares of 10 pence each with voting rights and 4,980,851 ordinary shares of 10 pence each held in treasury.

The above figure of 107,538,444 ordinary shares may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA’s Disclosure and Transparency Rules.

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 886 2715

British Smaller Companies VCT2 plc
Unaudited Interim Results and Interim Management Report
For the six months ended 30 June 2018

British Smaller Companies VCT2 plc (the "Company") today announces its unaudited interim results for the six months to 30 June 2018.

Highlights

- Increase in Total Return of 1.5 pence per ordinary share to 115.8 pence per ordinary share at 30 June 2018 (114.3 pence per ordinary share as at 31 December 2017).
- Investment of £5.5 million into four new and two follow-on investments during the period.
- Offer for subscription fully subscribed from existing shareholders, raising gross funds of £4.4 million.
- Proposed interim dividend of 1.5 pence per ordinary share in respect of the year ending 31 December 2018.
- Intention to launch a prospectus offer of new ordinary shares for subscription in the 2018/19 tax year. Further announcements will be made in due course.
- Richard Last to step down from the roles of Chairman and director at the Annual General Meeting in 2019.

CHAIRMAN'S STATEMENT

Total Return for the six months was 1.5 pence per ordinary share, which was 2.6 per cent of the net asset value at 31 December 2017 and your Company's portfolio generated a return of 1.6 pence per ordinary share, which was 4.2 per cent of its opening value.

New Investment

Following the disruption to the investment pipeline previously reported, arising from delays in gaining HMRC's advance assurance, their process has subsequently shown a marked improvement. Consequently, in the first six months of 2018, your Company completed new and follow-on investments totalling £5.5 million comprising four new investments and two follow-on investments. These were:

In March 2018 £1.0 million was invested into **Ncam Technologies Limited**. Ncam develops award-winning augmented reality technology which is utilised globally by broadcast, film and episodic broadcast TV productions. The funds will be used to support the development of new products, invest in the team, and help the business extend its reach into new territories, especially the US, where a new office opening is planned for 2018.

Also in March 2018 your Company invested £2.0 million into **Eikon Holdco Limited**, a cutting edge, end-to-end, digital post-production service provider for the film and broadcast industry based in London. Clients include Paramount Pictures, Twentieth Century Fox, Sony Pictures Entertainment, Warner Bros, Universal Pictures, CBS and Netflix. Eikon will use the investment to build a new state of the art studio in Los Angeles as well as continuing to invest in the development of technology to enhance the service delivery to customers.

In April 2018 your Company made a new investment of £0.9 million into **Hutchinson Networks Limited**, 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.

During May 2018 £1.2 million was invested into **Arcus Global Limited**, 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.

Follow-on investments were made into existing portfolio companies, including an additional investment of £0.4 million into **Matillion Limited** which was part of a large secondary funding round supported by two well-known US investors.

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 January 2018		114.3
Net underlying increase in portfolio	1.6	
Issue/buy-back of shares	(0.1)	
Increase in Total Return*		1.5
Total Return at 30 June 2018		**115.8**

* Total Return movement represents an increase of 2.6 per cent (annualised 5.4 per cent) over the opening net asset value of 58.8 pence per ordinary share.

The portfolio produced a value gain of £1.7 million, representing a 4.2 per cent increase over the opening value and equivalent to an increase in value for shareholders of 1.6 pence per ordinary share.

Adjusting for one-off items income for the first half is comparable to the same period last year. Although interest income has remained in line with the previous year, as loans to new investments have replaced those repaid by the portfolio, much of the new interest income will be paid out on exit.

Investments made since the changes to the VCT rules in November 2015 now comprise £13.1 million (30 per cent) of the unquoted portfolio as at 30 June 2018, with £31.2 million (70 per cent) of investments made prior to the rule changes. In general, the more recent additions to the portfolio are re-investing their profits for growth, which means that the investments comprise mainly equity instruments.

As part of your Board's commitment to maintaining a sustainable level of dividends a final dividend of 1.5 pence per ordinary share in respect of the year ended 31 December 2017 was paid in the period, bringing the cumulative dividends paid to date to 57.0 pence per ordinary share.

Your Board has proposed an interim dividend of 1.5 pence per ordinary share for the year ending 31 December 2018 which, when combined with the final dividend in respect of the year ended 31 December 2017, will bring total dividends paid in the current financial year to 3.0 pence per ordinary share (2017: 3.0 pence per share). The interim dividend will be paid on 28 September 2018 to shareholders on the register on 31 August 2018.

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

Net Asset Value	£000		Pence per ordinary share	
NAV at 1 January 2018		59,056		58.8
Net underlying increase in portfolio	1,681		1.6	
Net profit after expenses	40		-	
Issue/buy-back of shares	4,069		(0.1)	
		5,790		1.5
NAV before the payment of dividends		64,846		60.3
Dividends paid		(1,612)		(1.5)
NAV at 30 June 2018		**63,234**		**58.8**

Shareholder Relations

As part of the Board's continuing dialogue with shareholders, the 23rd shareholder workshop was held in conjunction with British Smaller Companies VCT plc at the Honourable Artillery Company on 16 May 2018. There was a presentation from the CEO of one of our newest investments, Ncam Technologies Limited, alongside short videos about our other 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.bscfunds.com.

A large number of shareholders (83 percent) now receive documents such as the annual report via the website, www.bscfunds.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

It is pleasing that the European Commission has confirmed its decision to approve the recent amendments to the VCT rules. This includes an increase in the annual investment limit for Knowledge Intensive Companies to £10 million and your Company intends to take advantage of this change at the earliest opportunity.

The Company's Investment Adviser continues to engage with HMRC and has responded to HMRC's recent consultation on the proposed changes to the advance assurance process, especially the proposal to allow VCTs to rely on their advisers on the need to obtain advance assurance for a potential investment.

Fundraising

Having reviewed your Company's likely funding requirements, the Board is considering a full prospectus fundraising during the current tax year. The quantum and mechanism of the fundraising will be communicated nearer to the launch.

Board Composition

Having enjoyed being a director of your Company for over seventeen years and Chairman since 1 January 2008, I have decided, in these days of increasing corporate governance where one not only needs to comply but be seen to comply with the new standards, to stand down as Chairman and director of your Company at the 2019 Annual General Meeting which is usually held in May. I should like to thank my colleagues on the Board and David Hall and his excellent team at YFM Equity Partners for all their help and support over the years: it has been a pleasure to work with such a professional team.

Outlook

The revised VCT rules have been approved by the European Commission including the ability to invest up to £10 million in any one year into Knowledge Intensive Companies. This change is welcomed by this Board and the industry more widely. Whilst the future trading relationship with the EU is at this time not as clear as we would like these particular rule changes will benefit VCTs and their ability to invest in UK small businesses irrespective of any wider Brexit impact.

The more mature investments in the portfolio continue to perform well and opportunities to crystallise value are constantly reviewed.

The level of investment in the first half of the year is encouraging and investments made under the new rules now make up 30 per cent of the portfolio. It is pleasing that Matillion, one of your Company's most recent investments, has attracted further investment from two well-established specialist US venture investors.

Your Board remains optimistic that the level of investment can be sustained over the medium term and therefore we hope that shareholders will take the opportunity to add to their investment in the Company in the fundraising planned for later in the year.

OBJECTIVES AND STRATEGY

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.

The investment strategy of the Company is to create a portfolio with a mix of companies that offer opportunities in the development and application of innovation.

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 VCT 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.

INVESTMENT REVIEW

The Company's portfolio at 30 June 2018 had a value of £46.63 million consisting of £44.25 million (95 per cent) in unquoted investments and £2.38 million (5 per cent) in quoted investments. The largest single investment represents 5.8 per cent of the net asset value.

Over the six months to 30 June 2018 the portfolio saw an underlying value gain of £1.62 million from the ongoing portfolio comprising £1.39 million from the unquoted portfolio and £0.23 million from the quoted portfolio.

The most significant upward movements in the period were:

• ACC Aviation	£1.12 million
• Matillion Limited	£1.07 million
• Deep-Secure Ltd	£0.52 million

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

• DisplayPlan Holdings Limited	down £0.43 million
• Seven Technologies Holdings Limited	down £0.31 million
• Intelligent Office UK	down £0.31 million

New and Follow-on Investments

In the six months to June 2018 the Company has invested £5.06 million into new investments and £0.47 million into follow-on investments, including £0.38 million into Matillion Limited as part of an £18 million series B fundraising that was supported by two well-known US investors, Sapphire Ventures and Scale Venture Partners.

The new investments comprise:

- £2.00 million into Eikon Holdco Limited
- £1.20 million into Arcus Global Limited
- £0.98 million into Ncam Technologies Limited and
- £0.88 million into Hutchinson Networks Limited.

Realisation of Investments

During the six months to 30 June 2018 the Company generated £1.00 million from disposals and repayments of loans. This included the full exit from its AIM investment in Allergy Therapeutics plc.

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

INVESTMENT PORTFOLIO

The top 10 investments had a combined value of £25.7 million, 55.1 per cent of the total portfolio.

Name of Company	Sector	Name of Company	Current cost	Investment Valuation at 30 June 2018	Proceeds to date	Realised and unrealised value to date
			£000	£000	£000	£000
Matillion Limited	Software	Nov 16	1,778	3,667	-	3,667
ACC Aviation (via Newacc (2014) Limited)	Business Services	Nov 14	145	3,622	1,233	4,855
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent office)	Business Services	May 14	1,956	2,995	-	2,995
Mangar Health Limited	Healthcare	Jan 14	1,640	2,921	-	2,921
KeTech Enterprises Limited	Software	Nov 15	2,000	2,624	-	2,624
Gill Marine Holdings Limited	Retail	Sep 13	1,870	2,052	-	2,052
Business Collaborator Limited	Software	Nov 14	1,340	2,004	-	2,004
Eikon Holdco Limited	Software	Mar 18	2,000	2,000	-	2,000
GTK (Holdco) Limited	Manufacturing	Oct 13	146	1,945	1,204	3,149
Springboard Research Holdings Limited	Business Services	Oct 14	1,765	1,883	-	1,883
Total top 10 investments			**14,640**	**25,713**	**2,437**	**28,150**
Remaining unquoted portfolio						
Deep-Secure Limited	Software	Dec 09	500	1,790	-	1,790
Leengate Holdings Limited	Manufacturing	Dec 13	934	1,532	-	1,532
Arcus Global Limited	Software	May 18	1,200	1,200	-	1,200
Friska Limited	Retail	Jul 17	1,200	1,200	-	1,200
Sipsynergy (via Hosted Network Services Limited)	Software	Jun 16	1,309	1,022	-	1,022
Ncam Technologies Limited	Software	Mar 18	977	977	-	977
Traveltek Group Holdings Limited	Software	Oct 16	980	968	-	968
Immunobiology Limited	Healthcare	Jun 03	2,582	920	-	920
Wakefield Acoustics (via Malvar Engineering Limited)	Manufacturing	Dec 14	720	898	41	939
Hutchinson Networks Limited	Software	Apr 18	880	880	-	880
Macro Art Holdings Limited	Business Services	Jun 14	480	798	359	1,157
Biz2Mobile Limited	Software	Oct 16	1,000	722	-	722
DisplayPlan Holdings Limited	Business Services	Jan 12	70	681	820	1,501
£0.5 million and below	Other investments		7,371	4,954	1,371	6,325
Total unquoted investments			**34,843**	**44,255**	**5,028**	**49,283**

Quoted portfolio						
AB Dynamics plc	Manufacturing	May 13	49	588	628	1,216
EKF Diagnostics plc	Healthcare	Jun 11	437	514	-	514
Iomart Group plc	Software	May 11	119	512	209	721
£0.5 million and below	Other investments		292	765	838	1,603
Total quoted investments			**897**	**2,379**	**1,675**	**4,054**
Total portfolio			**35,740**	**46,634**	**6,703**	**53,337**
Full disposals to date			22,885	-	28,455	28,455
Total investment portfolio			**58,625**	**46,634**	**35,158**	**81,792**

The charts on page 14 of the interim report show the composition of the portfolio as at 30 June 2018 by industry sector, age of investment, investment instrument and the value compared to cost.

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 2017. 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 December 2017 on pages 27 and 28, a copy of which is available at www.bscfunds.com.

DIRECTOR'S 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.

By order of the Board

Richard Last
Chairman
17 August 2018

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018

	Notes	**Unaudited 6 months ended 30 June 2018**			Unaudited 6 months ended 30 June 2017		
		Revenue	**Capital**	**Total**	Revenue	Capital	Total
		£000	**£000**	**£000**	£000	£000	£000
Gains on investments held at fair value		**-**	**1,616**	**1,616**	-	221	221
Income	2	**859**	**-**	**859**	741	-	741
Gains on disposal of investments	6	**-**	**65**	**65**	-	600	600
Total income		**859**	**1,681**	**2,540**	741	821	1,562
Administrative expenses:							
Investment Adviser's fee		**(147)**	**(444)**	**(591)**	(140)	(421)	(561)
Other expenses		**(228)**	**-**	**(228)**	(229)	-	(229)
		(375)	**(444)**	**(819)**	(369)	(421)	(790)
Profit before taxation		**484**	**1,237**	**1,721**	372	400	772
Taxation	3	**(41)**	**41**	**-**	(42)	42	-
Profit for the period		**443**	**1,278**	**1,721**	330	442	772
Total comprehensive income for the period		**443**	**1,278**	**1,721**	330	442	772
Basic and diluted earnings per ordinary share	5	**0.42p**	**1.21p**	**1.63p**	0.33p	0.45p	0.78p

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 June 2018

	Notes	**Unaudited 30 June 2018**	Unaudited 30 June 2017	Audited 31 December 2017
		£000	£000	£000
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	6	**46,634**	38,692	40,423
Trade and other receivables		**1,004**	863	825
		47,638	39,555	41,248
Current assets				
Trade and other receivables		**462**	530	392
Cash on fixed term deposit		**1,988**	1,988	1,988
Cash and cash equivalents		**13,318**	17,508	15,681
		15,768	20,026	18,061
Liabilities				
Current liabilities				
Trade and other payables		**(172)**	(206)	(253)
Net current assets		**15,596**	19,820	17,808
Net assets		**63,234**	59,375	59,056
Shareholders' equity				
Share capital		**11,252**	10,389	10,450
Share premium account		**4,073**	20,579	257
Capital redemption reserve		**88**	88	88
Other reserve		**2**	2	2
Merger reserve		**5,525**	5,525	5,525
Capital reserve		**29,745**	14,376	32,198
Investment holding gains and losses		**10,925**	7,021	9,090
Revenue reserve		**1,624**	1,395	1,446
Total shareholders' equity		**63,234**	59,375	59,056
Net asset value per ordinary share	7	**58.8p**	59.0p	58.8p

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018

	Share capital	Share premium account	Other reserves*	Capital reserve	Investment holding gains and losses	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 31 December 2016	**9,652**	**16,902**	**5,615**	**15,621**	**7,077**	**1,242**	**56,109**
Revenue return for the period	-	-	-	-	-	*372*	*372*
Capital expenses	-	-	-	*(421)*	-	-	*(421)*
Investment holding gain on investments held at fair value	-	-	-	-	*221*	-	*221*
Realisation of investments in the period	-	-	-	*600*	-	-	*600*
Taxation	-	-	-	*42*	-	*(42)*	-
Total comprehensive income for the period	-	-	-	221	221	330	772
Issue of ordinary share capital	*679*	*3,571*	-	-	-	-	*4,250*
Issue of shares - DRIS	*58*	*268*	-	-	-	-	*326*
*Issue costs of ordinary shares***	-	*(162)*	-	*(10)*	-	-	*(172)*
Purchase of own shares	-	-	-	*(399)*	-	-	*(399)*
Dividends	-	-	-	*(1,334)*	-	*(177)*	*(1,511)*
Total transactions with owners	737	3,677	-	(1,743)	-	(177)	2,494
Realisation of prior year investment holding gains	-	-	-	277	(277)	-	-
At 30 June 2017	**10,389**	**20,579**	**5,615**	**14,376**	**7,021**	**1,395**	**59,375**
Revenue return for the period	-	-	-	-	-	*314*	*314*
Capital expenses	-	-	-	*(445)*	-	-	*(445)*
Investment holding gain on investments held at fair value	-	-	-	-	*1,988*	-	*1,988*
Realisation of investments in the period	-	-	-	*(560)*	-	-	*(560)*
Taxation	-	-	-	*31*	-	*(31)*	-
Total comprehensive (expense) income for the period	-	-	-	(974)	1,988	283	1,297
Issue of shares - DRIS	*61*	*271*	-	-	-	-	*332*
*Issue costs of ordinary shares***	-	*(14)*	-	-	-	-	*(14)*
Cancellation of share premium account, net of costs	-	*(20,579)*	-	*20,569*	-	-	*(10)*
Purchase of own shares	-	-	-	*(415)*	-	-	*(415)*
Dividends	-	-	-	*(1,277)*	-	*(232)*	*(1,509)*
Total transactions with owners	61	(20,322)	-	18,877	-	(232)	(1,616)
Realisation of prior year investment holding losses	-	-	-	(81)	81	-	-
At 31 December 2017	**10,450**	**257**	**5,615**	**32,198**	**9,090**	**1,446**	**59,056**

*Other reserves include the capital redemption reserve, the merger reserve and the other reserve, which are non-distributable.

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

At 31 December 2017	**10,450**	**257**	**5,615**	**32,198**	**9,090**	**1,446**	**59,056**
Revenue return for the period	-	-	-	-	-	*484*	*484*
Capital expenses	-	-	-	*(444)*	-	-	*(444)*
Investment holding gain on investments held at fair value	-	-	-	-	*1,616*	-	*1,616*
Realisation of investments in the period	-	-	-	*65*	-	-	*65*
Taxation	-	-	-	*41*	-	*(41)*	-
Total comprehensive (expense) income for the period	-	-	-	(338)	1,616	443	1,721
Issue of ordinary share capital	*737*	*3,663*	-	-	-	-	*4,400*
Issue of shares - DRIS	*65*	*294*	-	-	-	-	*359*
*Issue costs of ordinary shares***	-	*(141)*	-	*(5)*	-	-	*(146)*
Purchase of own shares	-	-	-	*(544)*	-	-	*(544)*
Dividends	-	-	-	*(1,347)*	-	*(265)*	*(1,612)*
Total transactions with owners	802	3,816	-	(1,896)	-	(265)	2,457
Realisation of prior year investment holding losses	-	-	-	(219)	219	-	-
At 30 June 2018	**11,252**	**4,073**	**5,615**	**29,745**	**10,925**	**1,624**	**63,234**

*Other reserves include the capital redemption reserve, the merger reserve and the other reserve, which are non-distributable.

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

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	Revenue reserve	Total
	£000	£000	£000
Distributable reserves	**29,745**	**1,624**	**31,369**
Less : Interest and dividends not yet distributable	-	(1,423)	(1,423)
: Cancelled share premium not yet distributable	(20,237)	-	(20,237)
Reserves available for distribution*	**9,508**	**201**	**9,709**

* subject to filing these interim financial statements at Companies House.

The capital reserve (£29,745,000) and the revenue reserve (£1,624,000) are both distributable reserves. These reserves total £31,369,000, representing a decrease of £2,275,000 in the period since 31 December 2017. 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 £31,369,000 shown above, £1,423,000 relates to interest and dividends receivable from 2019 onwards and £20,237,000 to cancelled share premium which becomes distributable from 1 January 2019 onwards (see below).

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

	£000
1 January 2019	12,995
1 January 2020	3,565
1 January 2021	3,677
Cancelled share premium not yet distributable	**20,237**

UNAUDITED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2018

	Notes	**Unaudited 6 months ended 30 June 2018 £000**	Unaudited 6 months ended 30 June 2017 £000	Audited year ended 31 December 2017 £000
Profit before taxation		**1,721**	772	2,069
Decrease in trade and other payables		**(176)**	(95)	(45)
(Increase) decrease in trade and other receivables		**(81)**	83	73
Gains on disposal of investments		**(65)**	(600)	(40)
Gains on investments held at fair value		**(1,616)**	(221)	(2,209)
Capitalised interest and dividends		**-**	-	(59)
Net cash outflow from operating activities		**(217)**	(61)	(211)
Cash flows from investing activities				
Purchase of financial assets at fair value through profit or loss	6	**(5,534)**	(571)	(2,371)
Proceeds from sale of financial assets at fair value through profit or loss	6	**931**	1,770	3,479
Deferred consideration		**-**	-	34
Cash maturing from fixed term deposit		**-**	1,052	1,049
Net cash (outflow) inflow from investing activities		**(4,603)**	2,251	2,191
Cash flows from financing activities				
Issue of ordinary shares		**4,380**	4,230	4,230
Costs of ordinary share issues*		**(126)**	(153)	(166)
Purchase of own shares		**(544)**	(399)	(814)
Share premium cancellation costs		**-**	-	(10)
Dividends paid	4	**(1,253)**	(1,186)	(2,365)
Net cash inflow from financing activities		**2,457**	2,492	875
Net (decrease) increase in cash and cash equivalents		**(2,363)**	4,682	2,855
Cash and cash equivalents at the beginning of the period		**15,681**	12,826	12,826
Cash and cash equivalents at the end of the period		**13,318**	17,508	15,681

*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 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; and
- 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 2017 do not constitute full financial statements and have been extracted from the Company’s financial statements for the year ended 31 December 2017. 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 2017. 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 December 2017 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.

Standards, amendments to standards and interpretations have been issued which are effective for the current reporting period. These include IFRS 9, IFRS 15, and amendments to IFRS 2 and IFRS 10. The Company has carried out an assessment and considers that these standards, amendments and interpretations do not affect the Company’s accounting policies, results or net assets. In particular the Company is able to continue to classify its investments at fair value through profit and loss under IFRS 9, and consequently does need to apply the impairment model.

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 half year statements were approved. As at 30 June 2018 the Company held cash balances and fixed term deposits with a combined value of £15,306,000. 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 2018 £000	Unaudited 6 months ended 30 June 2017 £000
Income from investments		
- Dividends from unquoted companies	**263**	151
- Dividends from AIM quoted companies	**8**	6
	271	157
- Interest on loans to unquoted companies	**527**	525
Income from investments held at fair value through profit or loss	**798**	682
Interest on bank deposits	**61**	59
	859	741

3 Taxation

	Unaudited 6 months ended 30 June 2018			Unaudited 6 months ended 30 June 2017		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Profit before taxation	**484**	**1,237**	**1,721**	372	400	772
Profit before taxation multiplied by the blended standard small company rate of corporation tax in UK of 19.0% (2017: 19.25%)	**92**	**235**	**327**	72	77	149
Effect of:						
UK dividends received	**(51)**	**-**	**(51)**	(30)	-	(30)
Non-taxable profits on investments	**-**	**(319)**	**(319)**	-	(158)	(158)
Excess expenses	**-**	**43**	**43**	-	39	39
Tax charge (credit)	**41**	**(41)**	**-**	42	(42)	-

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.

4 Dividends

Amounts recognised as distributions to equity holders in the period:

	Unaudited 6 months ended 30 June 2018			Unaudited 6 months ended 30 June 2017			Audited Year ended 31 December 2017		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Final dividend for the year ended 31 December 2017 of 1.5p (2016: 1.5p) per ordinary share	**265**	**1,347**	**1,612**	177	1,334	1,511	177	1,334	1,511
Interim dividend for the year ended 31 December 2017 of 1.5p per ordinary share	**-**	**-**	**-**	-	-	-	232	1,277	1,509
	265	**1,347**	**1,612**	177	1,334	1,511	409	2,611	3,020
Shares allotted under DRIS			**(359)**			(326)			(658)
Unclaimed dividends			**-**			1			3
Dividends paid in the Statement of Cash Flows			**1,253**			1,186			2,365

An interim dividend of 1.5 pence per ordinary share, amounting to approximately £1.61 million, 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 per Ordinary Share

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to equity shareholders of £1,721,000 (30 June 2017: £772,000) and 105,882,952 (30 June 2017: 99,223,205) 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 £443,000 (30 June 2017: £330,000) and 105,882,952 (30 June 2017: 99,223,205) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The basic and diluted capital earnings per ordinary share is based on the capital profit attributable to equity shareholders of £1,278,000 (30 June 2017: £442,000) and 105,882,952 (30 June 2017: 99,223,205) ordinary shares being the weighted average number of ordinary shares in issue during the period.

During the period the Company allotted 655,669 new ordinary shares in respect of its dividend re-investment scheme and 7,366,700 new ordinary shares of 10 pence each under the offer for subscription launched on 11 January 2018, which raised gross proceeds of £4.40 million.

The Company has repurchased 974,500 of its own shares in the period and these shares are held in the capital reserve. The total of 4,980,851 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 Adviser Agreement. No such shares have been issued or are currently expected to be issued. Consequently basic and diluted earnings per ordinary share are equivalent at 30 June 2018, 31 December 2017 and 30 June 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 AIM quoted investments 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 53 of the financial statements for the year ended 31 December 2017, 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.

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 June 2018 are summarised as follows:

IFRS 13 measurement classification	Level 3 Unquoted Investments £000	Level 1 Quoted Equity Investments £000	**Total Investments £000**
Opening cost	30,115	1,248	**31,363**
Opening valuation gain	8,026	1,034	**9,060**
Opening fair value at 1 January 2018	**38,141**	**2,282**	**40,423**
Additions at cost	5,534	-	**5,534**
Disposal proceeds	(807)	(124)	**(931)**
Net loss on disposal	-	(8)	**(8)**
Change in fair value	1,387	229	**1,616**
Closing fair value at 30 June 2018	**44,255**	**2,379**	**46,634**
Closing cost	34,843	897	**35,740**
Closing valuation gain	9,412	1,482	**10,894**
Closing fair value at 30 June 2018	**44,255**	**2,379**	**46,634**

The net loss on disposal in the table above is £8,000 whereas that shown in the Statement of Comprehensive Income is a profit of £65,000. The difference comprises the gain of £73,000 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.

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 £3,697,000 (8.4 per cent) lower. Using the upside alternative the value would be increased by £3,525,000 (8.0 per cent).

Of the Company's investments, 95 per cent are in unquoted companies held at fair value (31 December 2017: 94 per cent). The valuation methodology for these investments includes the application of externally produced 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 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 £3,133,000 (5.0 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 £3,133,000 (5.0 per cent of net assets).

Of the Company's equity investments, 5 per cent are quoted on AIM (31 December 2017: 6 per cent). A 5 per cent increase in stock prices as at 30 June 2018 would have increased the net assets attributable to the Company's shareholders and the total profit for the period by £119,000 (31 December 2017: £114,000). 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 December 2017: none).

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 January 2018	Gain (loss) over opening carrying value	Profit (loss) on original cost
	£000	£000	£000	£000	£000
Unquoted investments					
ACC Aviation (via NewACC (2014) Limited)	615	615	615	-	-
GTK (Holdco) Limited	149	149	149	-	-
Macro Art Holdings Limited	43	43	43	-	-
	807	807	807	-	-
Quoted investments					
Allergy Therapeutics plc	124	351	132	(8)	(227)
	124	351	132	(8)	(227)
Total from disposals in the period	**931**	**1,158**	**939**	**(8)**	**(227)**
Revaluation of deferred consideration:					
Selima Holding Company Ltd	73	-	-	73	73
Total from quoted and unquoted investments	**1,004**	**1,158**	**939**	**65**	**(154)**

The proceeds in the table above total £1,004,000, whereas that shown in the Statement of Cash Flows is £931,000. The difference comprises deferred consideration which is expected to be received after 30 June 2018.

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 £63,234,000 (30 June 2017 and 31 December 2017: £59,375,000 and £59,056,000 respectively) and 107,538,444 (30 June 2017 and 31 December 2017: 100,634,746 and 100,490,575 respectively) ordinary shares in issue at 30 June 2018.

The 4,980,851 (30 June 2017 and 31 December 2017: 3,255,746 and 4,006,351) treasury shares have been excluded in calculating the number of ordinary shares in issue at 30 June 2018.

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 Adviser Agreement. No such shares have been issued or are currently expected to be issued. Consequently, basic and diluted net asset values are equivalent at 30 June 2018, 31 December 2017 and 30 June 2017.

8 **Total Return**

Total Return per share is calculated on cumulative dividends paid of 57.0 pence per ordinary share (30 June 2017: 54.0 pence per ordinary share and 31 December 2017: 55.5 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.

11. **Interim Dividend for the Six Months ended 30 June 2018**

Further to the announcement of its interim results for the six months to 30 June 2018, the Company confirms that an interim dividend of 1.5 pence per ordinary share ("Interim Dividend") will be paid on 28 September 2018 to those shareholders on the Company's register at the close of business on 31 August 2018. The ex-dividend date for these dividends will be 30 August 2018.

12. **Dividend Re-investment Scheme ("DRIS")**

The Company operates a dividend re-investment scheme ("DRIS"). The latest date for receipt of DRIS elections so as to participate in the DRIS in respect of the Interim Dividend is the close of business on 14 September 2018.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 886 2715

British Smaller Companies VCT2 plc (“the Company”)

Purchase of Own Securities and Total Voting Rights

The Company announces that on 27 September 2018 it purchased 684,652 ordinary shares of 10 pence each at a price of 54.94 pence per ordinary share. The shares purchased represent 0.64 per cent of the total number of voting rights in the Company before the transaction. These shares will be held in treasury.

The last reported net asset value as at 30 June 2018 was 58.8 pence per ordinary share. The Company will pay an interim dividend of 1.5 pence per ordinary share on 28 September 2018 to shareholders on the register on 31 August 2018. The ex-dividend date for this dividend was 30 August 2018.

If these shares had been purchased prior to the quarter ended 30 June 2018 the unaudited net asset value per ordinary share of the Company at that date would have been unaltered at 58.8 pence per ordinary share.

The Company’s issued share capital now consists of 106,853,792 ordinary shares of 10 pence each with voting rights and 5,665,503 ordinary shares of 10 pence each held in treasury.

The above figure of 106,853,792 ordinary shares may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA’s Disclosure and Transparency Rules.

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 2441000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 886 2715

British Smaller Companies VCT2 plc (the "Company")
Payment of Interim Dividend and Allotment of Shares

The Company announces that on 28 September 2018 it paid an interim dividend of 1.5 pence per ordinary share to shareholders on the register of members of the Company as at the record date of 31 August 2018 ("Interim Dividend").

The Company further announces that on 28 September 2018 it issued and allotted 658,086 ordinary shares of 10 pence each pursuant to its dividend re-investment scheme ("DRIS") at a price of 54.44 pence per ordinary share to shareholders of the Company who elected to receive ordinary shares instead of the Interim Dividend. The subscription price of 54.44 pence per ordinary share was determined in accordance with the terms and conditions of the DRIS on the basis of the last reported net asset value of 58.8 pence per ordinary share as at 30 June 2018 (adjusted for the Interim Dividend of 1.5 pence per ordinary share paid today) less 5 per cent. As a result, 22.2 per cent of the Interim Dividend paid by the Company, was re-invested in ordinary shares in the Company via the DRIS.

Application is now being made for the ordinary shares which were issued and allotted as set out above to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Main Market for listed securities, and dealings are expected to commence on or around 12 October 2018.

Following such issue and allotment the Company's issued share capital consists of 107,511,878 ordinary shares of 10 pence each with voting rights ("Voting Capital") and 5,665,503 ordinary shares of 10 pence each held in treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure and Transparency Rules.

For further information please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 866 2715

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc (together “the Companies”)

Statement re proposed joint fundraising

The Companies today announce that they are planning to raise up to £30 million in aggregate, with an additional £5 million over allotment facility, by way of a joint prospectus offer of new ordinary shares for subscription in the 2018/19 tax year (“the Offer”) in order to increase their investment capacity.

It is intended that the Offer will be open to existing shareholders (those on the register of one or both of the Companies on 22 October 2018, the date before this announcement) for approximately four weeks, and unless the Offer has been fully subscribed by the end of that period, the Offer will then also be available to new investors. It is anticipated that the Offer will remain open until 5 April 2019, unless fully subscribed at an earlier date and subject to the Companies’ right to close the Offer at any time.

Full details of the Offer (including confirmation of the amount to be raised and details of the arrangements for existing shareholders’ priority) will be announced in late November/early December and will then be available on the Companies’ website (www.bscfunds.com).

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 886 2715

British Smaller Companies VCT2 plc

Unaudited Interim Results and Interim Management Report

For the nine months ended 30 September 2018

British Smaller Companies VCT2 plc (the "Company") today announces its unaudited interim results for the nine months to 30 September 2018.

HIGHLIGHTS

- Increase in total return of 2.3 pence per ordinary share to 116.6 pence per ordinary share at 30 September 2018 (114.3 pence per ordinary share at 31 December 2017).
- Increase in net asset value ("NAV") to 61.1 pence per ordinary share prior to the payment of the total dividends of 3.0 pence per ordinary share in the period. The NAV at 30 September 2018 is 58.1 pence per ordinary share.
- Total dividends for the period ended 30 September 2018 amounted to 3.0 pence per ordinary share which equates to 5.1 per cent of the opening December 2017 NAV per share.
- Total cumulative dividends paid since inception of 58.5 pence per ordinary share.
- The Company invested £5.5 million into four new and two follow-on investments during the period.
- The Company will shortly launch an offer, with British Smaller Companies VCT plc, (together "the Companies"), to raise up to £30 million in aggregate, with an additional £5 million over-allotment facility, by way of a new joint prospectus offer of new ordinary shares for subscription in the 2018/19 tax year ("the Offer"). The Offer will be open to those shareholders on the register of one or both of the Companies on 22 October 2018 until 4 January 2019, and unless the Offer has been fully subscribed by that date the Offer will then be available to new Investors.

CHAIRMAN'S STATEMENT

Your Company, British Smaller Companies VCT2 plc, will shortly announce a joint offer for subscription with British Smaller Companies VCT plc to raise in aggregate £30 million with an additional £5 million over-allotment facility. Your Company has taken the additional step of publishing interim financial statements for the nine-month period to 30 September 2018, as the Board believes that it is appropriate for the Company's shareholders to have the most up to date financial information available when considering this investment opportunity.

Total Return for the nine months ended 30 September 2018 was 2.3 pence per ordinary share, which was 3.9 per cent of the net asset value at 31 December 2017 and your Company's portfolio generated a return of 2.4 pence per ordinary share, which was 6.5 per cent of its opening value.

New Investment

So far this year your Company has completed new and follow-on investments totalling £5.5 million comprising four new investments and two follow-on investments. These were:

In March 2018 £1.0 million was invested into **Ncam Technologies Limited**. Ncam develops award-winning augmented reality technology which is utilised globally by broadcast, film and episodic broadcast TV productions. The funds will be used to support the development of new products, invest in the team, and help the business extend its reach into new territories, especially the US, where a new office opening is planned for 2018.

Also in March 2018 your Company invested £2.0 million into **Eikon Holdco Limited**, a cutting edge, end-to-end, digital post-production service provider for the film and broadcast industry based in London. Clients include Paramount Pictures, Twentieth Century Fox, Sony Pictures Entertainment, Warner Bros, Universal Pictures, CBS and Netflix. Eikon will use the investment to build a new state of the art studio in Los Angeles as well as continuing to invest in the development of technology to enhance the service delivery to customers.

In April 2018 your Company made a new investment of £0.9 million into **Hutchinson Networks Limited**, 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.

During May 2018 £1.2 million was invested into **Arcus Global Limited**, 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.

Follow-on investments were made into existing portfolio companies, including an additional investment of £0.4 million into **Matillion Limited** which was part of a large secondary funding round supported by two US investors.

Investments made since the changes to the VCT rules in November 2015 now comprise £12.6 million (28 per cent) of the value of the unquoted portfolio as at 30 September 2018, with £32.4 million (72 per cent) of investments made prior to the rule changes.

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 January 2018		114.3
Net underlying increase in portfolio	2.4	
Issue/buy-back of shares	(0.1)	
Increase in Total Return*		2.3
Total Return at 30 September 2018		**116.6**

* Total Return movement represents an increase of 3.9 per cent (annualised 5.2 per cent) over the opening net asset value of 58.8 pence per ordinary share.

The portfolio produced a value gain of £2.6 million, representing a 6.5 per cent increase over the opening value and equivalent to an increase in value for shareholders of 2.4 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 income we receive from our investments. Newer investments now include lower levels of debt and higher levels of preference shares, consequently a growing proportion of income now derives from preference dividends. In addition the new investments, which are earlier stage and growth-focussed, invariably re-invest their profits to fund growth therefore the payment of dividends and interest is often deferred and paid at exit.

Whilst income in the period was 14 per cent 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. In general, the more recent additions to the portfolio are re-investing their profits for growth, which means that the investments comprise mainly equity instruments.

As part of your Board's commitment to maintaining a sustainable level of dividends a final dividend of 1.5 pence per ordinary share in respect of the year ended 31 December 2017 and an interim dividend of 1.5 pence per ordinary share in respect of the year ending 31 December 2018 were paid in the period, bringing the cumulative dividends paid to date to 58.5 pence per ordinary share.

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

Net Asset Value "NAV"	£000		Pence per ordinary share	
NAV at 1 January 2018		59,056		58.8
Net underlying increase in portfolio	2,639		2.4	
Net loss after expenses	(6)		-	
Issue/buy-back of shares	4,031		(0.1)	
		6,664		2.3
NAV before the payment of dividends		65,720		61.1
Dividends paid		(3,219)		(3.0)
NAV at 30 September 2018		**62,501**		**58.1**

Shareholder Relations

As part of the Board's continuing dialogue with shareholders, the 23rd shareholder workshop was held in conjunction with British Smaller Companies VCT plc at the Honourable Artillery Company on 16 May 2018. There was a presentation from the CEO of one of our newest investments, Ncam Technologies Limited, alongside short videos about our other new portfolio companies. The Company's performance, investment portfolio and outlook were discussed in presentations 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.bscfunds.com.

The Company would encourage investors who receive dividends to do so by way of BACS transfer, instead of cheques, as this provides certainty of cleared funds and removes the need to make a branch deposit. If you wish to change to BACS payment this can be done via www.signalshares.com.

A large number of shareholders (83 per cent) now receive documents such as the annual report via the website, www.bscfunds.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

It is pleasing that the European Commission has confirmed its decision to approve the recent amendments to the VCT rules. This includes an increase in the annual investment limit for Knowledge Intensive Companies to £10 million and your Company intends to take advantage of this change at the earliest opportunity.

HMRC launched a consultation on proposed changes which would allow your Company to make investments without obtaining advance assurance. Such an approach would mean relying on the Company's advisers so, until there is greater clarification on how this would work in practice, the Company will continue to seek advance assurance on all investments.

Board Composition

As previously announced, after seventeen years' service I have decided to stand down as Chairman and director of your Company at the 2019 Annual General Meeting. Having considered the level of experience and expertise that will be needed in the future the Board has decided that it would be in shareholders' best interests for Peter Waller, currently a non-executive director, to take on the role of Chairman and to recruit a new non-executive director.

Fundraising

As noted above the Board will shortly announce a joint offer for subscription with British Smaller Companies VCT plc, to raise in aggregate £30 million with a £5 million over-allotment facility, which is considered appropriate given your Company's expected cash requirements. There will be a short period of around four weeks during which existing shareholders of both companies will, on a first-come, first-served basis, have the opportunity to apply for new shares in both companies, after which the offers will be open to new investors. The intention is to have a single allotment, between 1- 5 April 2019.

Outlook

The Company's investments continue to perform well and those made since the rule changes in November 2015 now make up 28 per cent of the portfolio. The recent level of investment by the Company and the need to provide follow-on funding into the earlier stage growth investments in the portfolio, support the need for raising further funds through the proposed joint offer for subscription with British Smaller Companies VCT plc. The revised VCT rules that were approved by the European Commission in July this year will, inter alia, allow investments of up to £10 million in any one year into Knowledge Intensive Companies and this change will benefit your Company's ability to invest in UK smaller businesses.

Although there remains a great deal of uncertainty around the UK's future trading relationship with the EU, and portfolio companies continue to prepare for all potential outcomes, the Board believes that there will be limited negative impact across the portfolio.

The Board hopes that shareholders will take the opportunity to add to their investment in the Company in the proposed fundraising.

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 VCT2 plc and British Smaller Companies VCT plc ("the VCTs") have in aggregate first choice of 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 40 per cent to the Company and 60 per cent to British Smaller Companies VCT plc. The Board of the Company has discretion as to whether or not to take up or, where British Smaller Companies VCT 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. 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 AIM investments in this category.

INVESTMENT REVIEW

The Company's portfolio at 30 September 2018 had a value of £47.41 million consisting of £44.95 million (95 per cent) in unquoted investments and £2.46 million (5 per cent) in quoted investments. The largest single investment represents 7.6 per cent of the net asset value.

Over the nine months to 30 September 2018 the portfolio saw an underlying value gain of £2.80 million from the ongoing portfolio comprising £2.34 million from the unquoted portfolio and £0.46 million from the quoted portfolio.

The most significant upward movements in the period were:

- ACC Aviation £2.27 million
- Matillion Limited £1.44 million
- Deep-Secure Ltd £0.66 million
- Gill Marine Holdings Limited £0.52 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:

- DisplayPlan Holdings Limited down £0.51 million
- Seven Technologies Holdings Limited down £0.51 million
- e2E Engineering Limited down £0.45 million
- Intelligent Office UK down £0.35 million

New and Follow-on Investments

In the nine months to September 2018 the level of new investment has increased and there has been some improvement in HMRC's advance assurance process, although our experience hasn't yet seen clearances within 15 working days. HMRC is though encouraging advisers to only seek advance assurance where they have a question over whether or not the investment meets the qualifying criteria. So far this year your Company has completed four new investments and two follow-on investments, totalling £5.53 million.

The new investments comprise:

- £2.00 million into Eikon Holdco Limited (10.6 weeks for advance assurance)
- £1.20 million into Arcus Global Limited (15.6 weeks for advance assurance)
- £0.98 million into Ncam Technologies Limited (7.4 weeks for advance assurance) and
- £0.88 million into Hutchinson Networks Limited (10.4 weeks for advance assurance).

The largest follow-on investment was £0.38 million into Matillion Limited as part of an £18 million series B fundraising that was supported by two well-known US investors, Sapphire Ventures and Scale Venture Partners.

Realisation of Investments

During the nine months to 30 September 2018 the Company generated £1.25 million from disposals and repayments of loans. This included the full exit from its AIM investment in Allergy Therapeutics plc.

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

INVESTMENT PORTFOLIO

The top 10 investments had a combined value of £27.8 million, 58.6 per cent of the total portfolio.

Name of Company	Sector	Date of initial investment	Current cost	Investment valuation at 30 September 2018	Proceeds to date	Realised and unrealised value to date
			£000	£000	£000	£000
ACC Aviation (via Newacc (2014) Limited)	Business Services	Nov 14	145	4,773	1,233	6,006
Matillion Limited	Software	Nov 16	1,778	4,042	-	4,042
Mangar Health Limited	Healthcare	Jan 14	1,640	2,964	-	2,964
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent office)	Business Services	May 14	1,956	2,959	-	2,959
KeTech Enterprisess Limited	Software	Nov 15	2,000	2,669	-	2,669
Gill Marine Holdings Limited	Retail	Sep 13	1,870	2,439	-	2,439
Business Collaborator Limited	Software	Nov 14	1,340	2,087	-	2,087
Eikon Holdco Limited	Software	Mar 18	2,000	2,000	-	2,000
Deep-Secure Limited	Software	Dec 09	500	1,939	-	1,939
GTK (Holdco) Limited	Manufacturing	Oct 13	146	1,897	1,204	3,101
Total top 10 investments			**13,375**	**27,769**	**2,437**	**30,206**
Remaining unquoted portfolio						
Springboard Research Holdings Limited	Business Services	Oct 14	1,765	1,799	-	1,799
Leengate Holdings Limited	Manufacturing	Dec 13	934	1,610	-	1,610
Friska Limited	Retail	Jul 17	1,200	1,202	-	1,202
Arcus Global Limited	Software	May 18	1,200	1,200	-	1,200
Sipsynergy (via Hosted Network Services Limited)	Software	Jun 16	1,309	1,004	-	1,004
Immunobiology Limited	Healthcare	Jun 03	2,582	920	-	920
Hutchinson Networks Limited	Software	Apr 18	880	880	-	880
Wakefield Acoustics (via Malvar Engineering Limited)	Manufacturing	Dec 14	720	867	41	908
Ncam Technologies Limited	Software	Mar 18	977	733	-	733
Traveltek Group Holdings Limited	Software	Oct 16	980	726	-	726
Macro Art Holdings Limited	Business Services	Jun 14	480	713	359	1,072
Biz2Mobile Limited	Software	Oct 16	1,000	621	-	621
DisplayPlan Holdings Limited	Business Services	Jan 12	70	604	820	1,424
£0.5 million and below	Other investments		6,777	4,298	1,311	5,609
Total unquoted investments			**34,249**	**44,946**	**4,968**	**49,914**
Quoted portfolio						
Iomart Group plc	Software	May 11	119	596	209	805
Gooch & Housego plc	Manufacturing	Jan 15	221	566	301	867
EKF Diagnostics plc	Healthcare	Jun 11	411	548	37	585
£0.5 million and below	Other investments		108	756	1,304	2,060
Total quoted investments			**859**	**2,466**	**1,851**	**4,317**
Total portfolio			**35,108**	**47,412**	**6,819**	**54,231**

INVESTMENT PORTFOLIO (cont.)

Total portfolio	**35,108**	**47,412**	**6,819**	**54,231**
Full disposals to date	23,479	-	28,519	28,519
Total investment portfolio	**58,587**	**47,412**	**35,338**	**82,750**

The charts on page 14 of the interim report show the composition of the portfolio as at 30 September 2018 by industry sector, age of investment, investment instrument and the value compared to cost.

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 2017. 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 December 2017 on pages 27 and 28, a copy of which is available at www.bscfunds.com.

DIRECTOR'S 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 give a true and 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 true and 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.

By order of the Board

Richard Last
Chairman
21 November 2018

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

for the nine months ended 30 September 2018

	Notes	**Unaudited 9 months ended 30 September 2018**			Unaudited 9 months ended 30 September 2017		
		Revenue	**Capital**	**Total**	Revenue	Capital	Total
		£000	**£000**	**£000**	£000	£000	£000
Gains on investments held at fair value		**-**	**2,795**	**2,795**	-	775	775
Income	2	**1,234**	**-**	**1,234**	1,086	-	1,086
(Loss) gain on disposal of investments	6	**-**	**(156)**	**(156)**	-	572	572
Total income		**1,234**	**2,639**	**3,873**	1,086	1,347	2,433
Administrative expenses:							
Investment Adviser's fee		**(228)**	**(679)**	**(907)**	(214)	(644)	(858)
Other expenses		**(333)**	**-**	**(333)**	(337)	-	(337)
		(561)	**(679)**	**(1,240)**	(551)	(644)	(1,195)
Profit before taxation		**673**	**1,960**	**2,633**	535	703	1,238
Taxation	3	**(56)**	**56**	**-**	(63)	63	-
Profit for the period		**617**	**2,016**	**2,633**	472	766	1,238
Total comprehensive income for the period		**617**	**2,016**	**2,633**	472	766	1,238
Basic and diluted earnings per ordinary share	5	**0.58p**	**1.89p**	**2.47p**	0.47p	0.77p	1.24p

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**	Unaudited 30 September 2017	Audited 31 December 2017
		£000	£000	£000
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	6	**47,412**	40,465	40,423
Trade and other receivables		**1,128**	786	825
		48,540	41,251	41,248
Current assets				
Trade and other receivables		**393**	593	392
Cash on fixed term deposit		**1,988**	1,988	1,988
Cash and cash equivalents		**11,692**	14,960	15,681
		14,073	17,541	18,061
Liabilities				
Current liabilities				
Trade and other payables		**(112)**	(221)	(253)
Net current assets		**13,961**	17,320	17,808
Net assets		**62,501**	58,571	59,056
Shareholders' equity				
Share capital		**11,318**	10,450	10,450
Share premium account		**4,345**	270	257
Capital redemption reserve		**88**	88	88
Other reserve		**2**	2	2
Merger reserve		**5,525**	5,525	5,525
Capital reserve		**27,291**	33,674	32,198
Investment holding gains and losses		**12,335**	7,257	9,090
Revenue reserve		**1,597**	1,305	1,446
Total shareholders' equity		**62,501**	58,571	59,056
Net asset value per ordinary share	7	**58.1p**	57.9p	58.8p

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the nine months ended 30 September 2018

	Share capital	Share premium account	Other reserves*	Capital reserve	Investment holding gains and losses	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 31 December 2016	**9,652**	**16,902**	**5,615**	**15,621**	**7,077**	**1,242**	**56,109**
Revenue return for the period	-	-	-	-	-	*535*	*535*
Capital expenses	-	-	-	*(644)*	-	-	*(644)*
Investment holding gain on investments held at fair value	-	-	-	-	*775*	-	*775*
Realisation of investments in the period	-	-	-	*572*	-	-	*572*
Taxation	-	-	-	*63*	-	*(63)*	-
Total comprehensive (expense) income for the period	-	-	-	(9)	775	472	1,238
Issue of ordinary share capital	*679*	*3,571*	-	-	-	-	*4,250*
Issue of shares - DRIS	*119*	*539*	-	-	-	-	*658*
*Issue costs of ordinary shares***	-	*(163)*	-	*(9)*	-	-	*(172)*
Cancellation of share premium account, net of costs	-	*(20,579)*	-	*20,569*	-	-	*(10)*
Purchase of own shares	-	-	-	*(482)*	-	-	*(482)*
Dividends	-	-	-	*(2,611)*	-	*(409)*	*(3,020)*
Total transactions with owners	798	(16,632)	-	17,467	-	(409)	1,224
Realisation of prior year investment holding gains	-	-	-	595	(595)	-	-
At 30 September 2017	**10,450**	**270**	**5,615**	**33,674**	**7,257**	**1,305**	**58,571**
Revenue return for the period	-	-	-	-	-	*151*	*151*
Capital expenses	-	-	-	*(222)*	-	-	*(222)*
Investment holding gain on investments held at fair value	-	-	-	-	*1,434*	-	*1,434*
Realisation of investments in the period	-	-	-	*(532)*	-	-	*(532)*
Taxation	-	-	-	*10*	-	*(10)*	-
Total comprehensive (expense) income for the period	-	-	-	(744)	1,434	141	831
*Issue costs of ordinary shares***	-	*(13)*	-	*(1)*	-	-	*(14)*
Purchase of own shares	-	-	-	*(332)*	-	-	*(332)*
Total transactions with owners	-	(13)	-	(333)	-	-	(346)
Realisation of prior year investment holding losses	-	-	-	(399)	399	-	-
At 31 December 2017	**10,450**	**257**	**5,615**	**32,198**	**9,090**	**1,446**	**59,056**

At 31 December 2017	**10,450**	**257**	**5,615**	**32,198**	**9,090**	**1,446**	**59,056**
Revenue return for the period	-	-	-	-	-	*673*	*673*
Capital expenses	-	-	-	*(679)*	-	-	*(679)*
Investment holding gain on investments held at fair value	-	-	-	-	*2,795*	-	*2,795*
Realisation of investments in the period	-	-	-	*(156)*	-	-	*(156)*
Taxation	-	-	-	*56*	-	*(56)*	-
Total comprehensive (expense) income for the period	-	-	-	(779)	2,795	617	2,633
Issue of ordinary share capital	*737*	*3,663*	-	-	-	-	*4,400*
Issue of shares - DRIS	*131*	*586*	-	-	-	-	*717*
*Issue costs of ordinary shares***	-	*(161)*	-	*(5)*	-	-	*(166)*
Purchase of own shares	-	-	-	*(920)*	-	-	*(920)*
Unclaimed dividends	-	-	-	*6*	-	-	*6*
Dividends	-	-	-	*(2,759)*	-	*(466)*	*(3,225)*
Total transactions with owners	868	4,088	-	(3,678)	-	(466)	812
Realisation of prior year investment holding losses	-	-	-	(450)	450	-	-
At 30 September 2018	**11,318**	**4,345**	**5,615**	**27,291**	**12,335**	**1,597**	**62,501**

* Other reserves include the capital redemption reserve, the merger reserve and the other reserve, which are non-distributable.

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

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	Revenue reserve	Total
	£000	£000	£000
Distributable reserves as above	**27,291**	**1,597**	**28,888**
Less : Interest and dividends not yet distributable	-	(1,519)	(1,519)
: Cancelled share premium not yet distributable	(20,237)	-	(20,237)
Reserves available for distribution*	**7,054**	**78**	**7,132**

* subject to filing these interim financial statements at Companies House.

The capital reserve (£27,291,000) and the revenue reserve (£1,597,000) are both distributable reserves. These reserves total £28,888,000, representing a decrease of £4,756,000 in the period since 31 December 2017. 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 £28,888,000 shown above, £1,519,000 relates to interest and dividends receivable from 2019 onwards and £20,237,000 to cancelled share premium which becomes distributable from 1 January 2019 onwards (see below).

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

	£000
1 January 2019	12,995
1 January 2020	3,565
1 January 2021	3,677
Cancelled share premium not yet distributable	**20,237**

UNAUDITED STATEMENT OF CASH FLOWS

for the nine months ended 30 September 2018

	Notes	**Unaudited 9 months ended 30 September 2018**	Unaudited 9 months ended 30 September 2017	Audited year ended 31 December 2017
		£000	£000	£000
Profit before taxation		**2,633**	1,238	2,069
Decrease in trade and other payables		**(59)**	(24)	(45)
(Increase) decrease in trade and other receivables		**(330)**	32	73
Loss (gain) on disposal of investments		**156**	(572)	(40)
Gains on investments held at fair value		**(2,795)**	(775)	(2,209)
Capitalised interest and dividends		**-**	-	(59)
Net cash outflow from operating activities		**(395)**	(101)	(211)
Cash flows from investing activities				
Purchase of financial assets at fair value through profit or loss	6	**(5,534)**	(2,371)	(2,371)
Proceeds from sale of financial assets at fair value through profit or loss	6	**1,070**	2,316	3,479
Deferred consideration received		**139**	34	34
Cash maturing from fixed term deposit		**-**	1,049	1,049
Net cash (outflow) inflow from investing activities		**(4,325)**	1,028	2,191
Cash flows from financing activities				
Issue of ordinary shares		**4,394**	4,230	4,230
Costs of ordinary share issues*		**(145)**	(166)	(166)
Purchase of own shares		**(920)**	(482)	(814)
Share premium cancellation costs		**-**	(10)	(10)
Dividends paid	4	**(2,598)**	(2,365)	(2,365)
Net cash inflow from financing activities		**731**	1,207	875
Net (decrease) increase in cash and cash equivalents		**(3,989)**	2,134	2,855
Cash and cash equivalents at the beginning of the period		**15,681**	12,826	12,826
Cash and cash equivalents at the end of the period		**11,692**	14,960	15,681

*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 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 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 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 December 2017 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2017. 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 December 2017. 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 December 2017 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 £13,680,000. 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 9 months ended 30 September 2018 £000	Unaudited 9 months ended 30 September 2017 £000
Income from investments		
- Dividends from unquoted companies	**364**	193
- Dividends from AIM quoted companies	**16**	15
	380	208
- Interest on loans to unquoted companies	**763**	789
Income from investments held at fair value through profit or loss	**1,143**	997
Interest on bank deposits	**91**	89
	1,234	1,086

3 Taxation

	Unaudited 9 months ended 30 September 2018			Unaudited 9 months ended 30 September 2017		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Profit before taxation	**673**	**1,960**	**2,633**	535	703	1,238
Profit before taxation multiplied by the blended standard small company rate of corporation tax in UK of 19.0% (2017: 19.5%)	**128**	**372**	**500**	104	137	241
Effect of:						
UK dividends received	**(72)**	**-**	**(72)**	(41)	-	(41)
Non-taxable profits on investments	**-**	**(501)**	**(501)**	-	(263)	(263)
Excess expenses	**-**	**73**	**73**	-	63	63
Tax charge (credit)	**56**	**(56)**	**-**	63	(63)	-

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.

4 Dividends

Amounts recognised as distributions to equity holders in the period:

	Unaudited 9 months ended 30 September 2018			Unaudited 9 months ended 30 September 2017			Audited year ended 31 December 2017		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Final dividend for the year ended 31 December 2017 of 1.5p (2016: 1.5p) per ordinary share	**265**	**1,347**	**1,612**	177	1,334	1,511	177	1,334	1,511
Interim dividend for the year ending 31 December 2018 of 1.5p (2017: 1.5p) per ordinary share	**201**	**1,412**	**1,613**	232	1,277	1,509	232	1,277	1,509
	466	**2,759**	**3,225**	409	2,611	3,020	409	2,611	3,020
Shares allotted under DRIS			**(717)**			(658)			(658)
Unclaimed dividends			**90**			3			3
Dividends paid in the Statement of Cash Flows			**2,598**			2,365			2,365

5 Basic and Diluted Earnings 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 £2,633,000 (30 September 2017: £1,238,000) and 106,438,144 (30 September 2017: 99,655,004) 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 £617,000 (30 September 2017: £472,000) and 106,438,144 (30 September 2017: 99,655,004) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The basic and diluted capital earnings per ordinary share is based on the capital profit attributable to equity shareholders of £2,016,000 (30 September 2017: £766,000) and 106,438,144 (30 September 2017: 99,655,004) ordinary shares being the weighted average number of ordinary shares in issue during the period.

During the period the Company allotted 1,313,755 new ordinary shares in respect of its dividend re-investment scheme and 7,366,700 new ordinary shares of 10 pence each under the offer for subscription launched on 11 January 2018, which raised gross proceeds of £4.40 million.

The Company has repurchased 1,659,152 of its own shares in the period and these shares are held in the capital reserve. The total of 5,665,503 treasury shares has been excluded in calculating the weighted average number of ordinary shares during the period.

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 Adviser Agreement. No such shares have been issued or are currently expected to be issued. Consequently basic and diluted earnings per ordinary share are equivalent at 30 September 2018, 31 December 2017 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 AIM quoted investments 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 53 of the financial statements for the year ended 31 December 2017, 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.

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 nine months to 30 September 2018 are summarised as follows:

IFRS 13 measurement classification	Level 3 Unquoted Investments £000	Level 1 Quoted Equity Investments £000	**Total Investments £000**
Opening cost	30,115	1,248	**31,363**
Opening valuation gain	8,026	1,034	**9,060**
Opening fair value at 1 January 2018	**38,141**	**2,282**	**40,423**
Additions at cost	5,534	-	**5,534**
Disposal proceeds	(807)	(300)	**(1,107)**
Net (loss) gain on disposal	(258)	25	**(233)**
Change in fair value	2,336	459	**2,795**
Closing fair value at 30 September 2018	**44,946**	**2,466**	**47,412**
Closing cost	34,249	859	**35,108**
Closing valuation gain	10,697	1,607	**12,304**
Closing fair value at 30 September 2018	**44,946**	**2,466**	**47,412**

The net loss on disposal in the table above is £233,000 whereas that shown in the Statement of Comprehensive Income is a loss of £156,000. The difference comprises the net gain of £77,000 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.

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 £2,998,000 (6.7 per cent) lower. Using the upside alternative the value would be increased by £3,246,000 (7.2) per cent).

Of the Company's investments, 95 per cent are in unquoted companies held at fair value (31 December 2017: 94 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 £3,542,000 (5.7 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, 5 per cent are quoted on AIM (31 December 2017: 6 per cent). 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 £123,000 (31 December 2017: £114,000). 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 December 2017: none).

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 January 2018	Gain (loss) over opening carrying value	Profit (loss) on original cost
	£000	£000	£000	£000	£000
Unquoted investments					
ACC Aviation (via NewACC (2014) Limited)	615	615	615	-	-
GTK (Holdco) Limited	149	149	149	-	-
Macro Art Holdings Limited	43	43	43	-	-
PowerOasis Limited	-	594	258	(258)	(594)
	807	1,401	1,065	(258)	(594)
Quoted investments					
AB Dynamics plc	139	12	118	21	127
Allergy Therapeutics plc	124	351	132	(8)	(227)
EKF Diagnostics plc	37	26	25	12	11
	300	389	275	25	(89)
Total from disposals in the period	**1,107**	**1,790**	**1,340**	**(233)**	**(683)**
Revaluation of deferred consideration:					
Ness (Holdings) Limited	-	-	42	(42)	-
Selima Holding Company Ltd	139	-	20	119	139
Total from quoted and unquoted investments	**1,246**	**1,790**	**1,402**	**(156)**	**(544)**

The proceeds in the table above total £1,246,000, whereas that shown in the Statement of Cash Flows (including deferred consideration) is £1,209,000. The difference comprises proceeds of £37,000 received shortly after the period end.

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 £62,501,000 (30 September 2017 and 31 December 2017: £58,571,000 and £59,056,000 respectively) and 107,511,878 (30 September 2017 and 31 December 2017: 101,091,180 and 100,490,575 respectively) ordinary shares in issue at 30 September 2018.

The 5,665,503 (30 September 2017 and 31 December 2017: 3,405,746 and 4,006,351) treasury shares have been excluded in calculating the number of ordinary shares in issue at 30 September 2018.

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 Adviser Agreement. No such shares have been issued or are currently expected to be issued. Consequently, basic and diluted net asset values are equivalent at 30 September 2018, 31 December 2017 and 30 September 2017.

8 Total Return

Total Return per share is calculated on cumulative dividends paid of 58.5 pence per ordinary share (30 September 2017: 55.5 pence per ordinary share and 31 December 2017: 55.5 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 Post Balance Sheet Events

Subsequent to 30 September 2018 the Company has realised part of its quoted portfolio raising total proceeds of £1,012,000, 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.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 886 2715

27 November 2018

British Smaller Companies VCT plc and British Smaller Companies VCT2 plc (together the "Companies")

Publication of Prospectus

The Companies are pleased to announce that they have today launched a new share offer for the 2018/19 tax year to raise, in aggregate, up to £30 million, with an over-allotment facility of up to £5 million, in aggregate, by way of prospectus offers of new ordinary shares for subscription (the "Offers").

The Companies have issued a prospectus, which is comprised of a securities note, a registration document and a summary document, relating to the Offers (the "Prospectus"). The proceeds will be allocated between the Companies in accordance with the terms set out in the Prospectus.

The Offers open on 27 November 2018 and will close on 5 April 2019, or earlier if the Offers become fully subscribed. The Offers will be open to existing shareholders of the Companies as at 22 October 2018 until 4 January 2019 and, unless the Offers have been fully subscribed, the Offers will then also be available to new investors from 5 January 2019.

Pursuant to the Offers, YFM Private Equity Limited, the Companies' Investment Adviser, will receive a fee of 2.5 per cent (of the gross proceeds of the Offers) in respect of subscriptions received either direct or through an adviser and 4.5 per cent (of the gross proceeds of the Offers) for subscriptions received through an execution only platform or broker. This constitutes a related party transaction under Listing Rule 11.1.10R.

The Prospectus is available from the Company's website: www.bscfunds.com and will shortly be available for inspection at the National Storage Mechanism, which is located at:

http://www.morningstar.co.uk/uk/NSM

A hard copy of the application form and related notes will be posted to shareholders of the Companies.

For further information please contact:

Tracey Nice
Investor Relations Support Manager
T: 0113 261 6478
E: tracey.nice@yfmep.com

British Smaller Companies VCT2 plc ("the Company")

Purchase of Own Securities and Total Voting Rights

The Company announces that on 19 December 2018 it purchased 493,058 ordinary shares of 10 pence each at a price of 55.70 pence per ordinary share. The shares purchased represent 0.46 per cent of the total number of voting rights in the Company before the transaction. These shares will be held in treasury.

The last reported net asset value as at 30 September 2018 was 58.1 pence per ordinary share.

The Company's issued share capital now consists of 107,018,820 ordinary shares of 10 pence each with voting rights and 6,158,561 ordinary shares of 10 pence each held in treasury.

The above figure of 107,018,820 ordinary shares may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure and Transparency Rules.

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon (UK) Limited	Tel: 0207 886 2715

British Smaller Companies VCT2 plc (“the Company”)

Realisation of investments

The Company is pleased to announce that it has realised its investments in GTK (Holdco) Limited, Mangar Health Limited and Gill Marine Holdings Limited generating total proceeds of approximately £9.0m. This is an increase of £1.7m (equivalent to 1.6 pence per Ordinary share) over the respective valuations at 30 September 2018.

The realisation of GTK (Holdco) Limited delivered a total return of £3.9m, achieving a multiple of 3.4x original cost.

The realisation of Mangar Health Limited delivered a total return of £4.4m, achieving a multiple of 2.7x original cost.

The realisation of Gill Marine Holdings Limited delivered a total return of £3.7m, achieving a multiple of 2.0x original cost.

Following the above realisations, investments made prior to the November 2015 Budget now represent 63 per cent of the value of the remaining unquoted portfolio as at 30 September 2018.

21 December 2018

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 244 1000
Jonathan Becher	Panmure Gordon	Tel: 0207 886 2715