

British Smaller Companies VCT plc

Unaudited Interim Results and Interim Management Report

For the six months ended 30 September 2020

British Smaller Companies VCT plc (the “Company”) today announces its unaudited interim results for the six months to 30 September 2020.

HIGHLIGHTS

- Strong recovery in valuations since the year end
- The underlying growth in the investment portfolio was £8.3 million, an increase of 17.1 per cent.
- Total Return increased by 7.8 pence to 225.7 pence per ordinary share, an increase of 12.1 per cent over opening net asset value.
- First interim dividend for the year ending 31 March 2021 of 2.0 pence per ordinary share paid on 31 July 2020, taking cumulative dividends paid to 30 September 2020 to 155.4 pence per ordinary share.
- Following payment of the second interim dividend for the year ending 31 March 2021 of 2.0 pence per ordinary share on 5 October 2020, aggregate dividends paid in the financial year to date are 4.0 pence per ordinary share and cumulatively 157.4 pence per ordinary share, and the net asset value of the Company is 68.3 pence per ordinary share.

CHAIRMAN’S STATEMENT

I am pleased to present the Company’s Report for the half year ended 30 September 2020.

At the start of the period the Covid-19 pandemic had just forced the UK into lockdown and businesses and workforces were developing plans to adapt accordingly. Governments provided significant financial interventions to support their economies and working-from-home for many became the norm. Since that time various restrictions have been imposed, released and re-imposed, with businesses perhaps becoming more adept at planning in this environment as time progressed. Against this background the businesses in your portfolio took swift action to manage their way through difficult trading conditions.

Valuations at the start of the period reflected the initial market turmoil which has gradually recovered over the following months. I am pleased to report that a number of businesses in the portfolio have continued to grow, in part as they operate more in the digital, on-line, remote working sectors and in part demonstrating the robustness of their business models. Overall, the portfolio has performed well, with little need for rescue funding, reflecting the low gearing and strong funding levels in the portfolio. There is the prospect of accelerating future growth where your Company may look to invest further in the portfolio over the coming months.

It is pleasing to report that, during the period under review, your Company achieved a successful divestment of its investment in RMS, details of which are below.

Total Return for the period increased by 7.8 pence per ordinary share, equivalent to 12.1 per cent of the opening net asset value, and as a result **Total Return** was 225.7 pence per ordinary share at 30 September 2020.

Financial Results and Dividends

The £1.4 million proceeds from the sale of the Company’s investment in RMS Holdings Limited, when added to previous income and capital returns, represented returns of 2.6x and yielded a profit over cost of £1.7 million over the life of the investment. The total return (including income) from this investment of £2.7 million, was delivered over a 12.9 year holding period producing an Internal Rate of Return of 16 per cent.

Investments

The Company completed an investment of £2.4 million into Leeds based marketing automation software business Force24 after the period end. The pipeline for potential new investments is increasing, with a number of potential investments in various stages of negotiation.

Financial Results and Dividends

Total Return	Pence per ordinary share
Total Return at 1 April 2020	217.9
Increase in portfolio value	8.1
Value realised as income	(2.1)
Net movement in portfolio value	6.0
Net income after expenses	1.8
Increase in Total Return	7.8
Total Return at 30 September 2020	225.7

The underlying increase in the portfolio was 6.0 pence per ordinary share, which equates to a £8.3 million increase in net asset value (17.1 per cent of the portfolio's opening value). Of this increase, a dividend payment of £2.9 million (2.1 pence per ordinary share) from ACC Aviation to the Company was recorded as income and shown in the net income after expenses.

Investments made since the changes to the VCT rules in November 2015 now comprise £31.5 million (57 per cent, cost of £31.2 million) of the unquoted portfolio as at 30 September 2020, with £23.4 million (43 per cent, cost of £16.5 million) of investments made prior to the rule changes.

The resultant movements in net asset value ("NAV") 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 April 2020	88,961	64.5
Increase in portfolio value	10,002	7.2
Value realised as income	(2,897)	(2.1)
Increase in investments held at fair value	7,105	5.1
Gain on disposal of investments	1,241	0.9
Net underlying change in portfolio	8,346	6.0
Net income after expenses	2,505	1.8
Buy-back/issue of shares	(38)	-
	10,813	7.8
NAV before the payment of dividends	99,774	72.3
Dividends paid	(2,743)	(2.0)
NAV at 30 September 2020	97,031	70.3

Dividends

An interim dividend of 2.0 pence per ordinary share in respect of the year ending 31 March 2021 was paid on 31 July 2020, bringing the cumulative dividends paid to 30 September 2020 to 155.4 pence per ordinary share.

Subsequent to the period end a second interim dividend of 2.0 pence per ordinary share in respect of the year ending 31 March 2021 was paid on 5 October 2020, bringing the cumulative dividends paid to date to 157.4 pence per ordinary share.

The more recent investments comprise primarily equity, rather than a mix of equity and loan, and feature a growing proportion of the portfolio (57 per cent by value). Consequently, going forward a smaller proportion of the Company's returns are derived from yielding instruments and the proportion of the return from capital gains continues to grow. Future returns will therefore derive more from successful exits than income generation and as a result your Board will continue to monitor the Company's dividend policy.

Currently shares issued under the Company's Dividend Re-Investment Scheme ("DRIS") are re-invested at a five per cent discount to the last reported net asset value per ordinary share, as adjusted for the relevant dividend in question, if this has not already been recognised. Following a review of current market practice the Board has decided that future issues of shares under the Company's DRIS will be re-invested at the last reported net asset value per ordinary share, as adjusted for the relevant dividend in question if this has not already been recognised.

The Company will be writing to shareholders to give them the required one month's notice of this change.

Shareholder Relations

As part of the Board's continuing communication with shareholders the Company had intended to hold its 25th shareholder workshop, in conjunction with British Smaller Companies VCT2 plc, in September this year. Due to the restrictions on holding large meetings that were in place at the time this had to be cancelled. It is the intention to reschedule this for a time when the restrictions have been lifted and it is safe to do so, which may be in 2021. In the meantime, your Company will be holding an on-line version of the event on 14 December 2020, details of which have been communicated to shareholders.

Documents such as the annual report are now received by a large number of shareholders (83 percent) via the website, www.bscfunds.com, rather than by post, which helps to meet the Board's impact objectives and reduces printing costs. Your Board continues to encourage all shareholders to take up this option.

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.

Regulatory Developments

The majority of new investments are now self-assured on a case-by-case basis and always with confirmation from our tax adviser that they are Qualifying Investments. Advance assurance is sought where there is an element of uncertainty over the application of the rules.

Outlook

The resilience shown by the portfolio is encouraging, as is the overall increase in valuations since the start of the period. Our investee companies continue to plan and adapt to events as they occur. The ongoing changes to restrictions designed to limit the spread of infections from Covid-19, as well as the unresolved issue of the UK's ongoing trading relationships with Europe, will act as brakes on growth in the short and medium term.

The portfolio is well funded, with most businesses having recovered strongly, and the Company continues to provide support where needed. While there is limited exposure to the impact of a "no-deal" Brexit across the portfolio, preparations have been made to deal with potential changes to the recruitment and retention of staff and how the shipment of goods is processed.

Your Company is well resourced to make new investments, with liquidity to invest in innovative businesses and sectors where there is future growth.

I would like to take this opportunity once again to thank all shareholders for their continued support and hope you and your families remain healthy and well.

Helen Sinclair
Chairman

OBJECTIVES AND STRATEGY

The Company's objective is over the long-term to maximise Total Return and provide investors with an attractive tax-free dividend yield while maintaining the Company's status as a venture capital trust.

The investment policy of the Company is to invest in UK businesses across a broad range of sectors that blends a mix of businesses operating in established and emerging industries that offer opportunities in the application and development of innovation in their products and services.

These investments will all meet the definition of a Qualifying Investment and be primarily in unquoted UK companies. It is anticipated that the majority of these will be high-growth businesses re-investing their profits for growth and the investments will, therefore, comprise mainly equity instruments.

The Company seeks to build a diversified portfolio in order to reduce concentration as well as ensuring compliance with the VCT guidelines in this regard.

INVESTMENT REVIEW

The Company's portfolio at 30 September 2020 had a value of £54.89 million. Investments made since the VCT rule changes in 2015 comprised £31.51 million (57 per cent of the total value of the portfolio). The largest single investment represents 10.2 per cent of the net asset value.

Realisation of Investments

The realisation of RMS produced capital proceeds of £1.45 million against cost of £0.18 million delivering a realised gain of £1.27 million of which £1.02 million was recognised in the period, representing an increase of 236 per cent over the carrying value at 31 March 2020. An additional £0.23 million of deferred proceeds was also recognised from the realisation of Business Collaborator, taking total proceeds from the realisation to £8.78 million, a multiple of 4.4x cost.

Further details of the realisation can be found in note 6 to this interim report.

Valuation movements since 31 December 2019

The impact of the pandemic has varied across sectors and to illustrate this we have analysed the portfolio's sector performance since the last valuation before the Covid-19 pandemic.

£000	31 December 2019	First Quarter	31 March 2020	Interim period	Before receipts	Receipts**	30 September 2020
TMT*	34,865	(4,400)	30,465	8,925	39,390	(180)	39,210
Business Services	6,537	(1,180)	5,357	975	6,332	-	6,332
Travel	11,834	(3,110)	8,724	410	9,134	(2,897)	6,237
Retail & Hospitality	5,107	(3,204)	1,903	(599)	1,304	-	1,304
Other	1,266	(7)	1,259	(26)	1,233	-	1,233
Manufacturing	1,249	(1,029)	220	252	472	-	472
Ongoing portfolio	60,858	(12,930)	47,928	9,937	57,865	(3,077)	54,788
In Realisation	7,179	(6,749)	430	(331)	99	-	99
Total	68,037	(19,679)	48,358	9,606	57,964	(3,077)	54,887

* Technology, media & telecommunications

** The Company received £0.18 million of partial loan repayments from Springboard Research and an ordinary dividend of £2.90 million from ACC Aviation. The dividend is shown in income (see note 2 below) with a corresponding reduction in the value of investments.

The return from the ongoing portfolio as at 30 September 2020 stood at £57.87 million, comprising £3.1 million of cash returned and £54.79 million of residual value. This return compares to a value of £47.93 million at 31 March 2020. By way of further comparison, it is only 4.9 per cent below the value at 31 December 2019 of £60.86 million.

The largest element (71 per cent at 30 September 2020) of the portfolio is invested in the TMT sector. While this was heavily impacted in the 31 March 2020 valuations, the resilience of these businesses and the sector has been reflected in their performance in the last six months, with the value at 30 September 2020 now up 12.5 per cent on 31 December 2019. Particularly notable movements in the half year were gains in the value of Matillion (£2.90 million), Springboard Research (£1.94 million) and Arcus Global (£1.54 million).

The two sectors most directly impacted by Covid-19 have been travel and retail & hospitality. Both sectors suffered a valuation reduction in the period January-March 2020 with their valuations stabilising in the last six months. Underlying trading for those in the travel sector has been stronger than originally forecast at the end of March 2020.

The retail & hospitality sector has been the most directly impacted in the period. The three investments in this sector are Tonkotsu (a ramen restaurants chain), Friska (food-to-go outlets) and Frescobol Carioca (a supplier of branded beachwear). All three have funding through to 2021 with each commencing trading again when they are permitted. Tonkotsu had reopened around 50 per cent of its outlets in the summer and it will now keep three of these open to service takeaway and home delivery orders. Friska has completed a major cost reduction exercise, including the closure of its Manchester outlets, and is undertaking home delivery. Frescobol Carioca is focussed on servicing its wholesale customers and its on-line business, having now permanently closed its three stores. Whilst their valuations have been impacted, all three operate with minimal or no leverage, and have plans and funding that extend beyond the end of the Government's various initiatives, which themselves currently operate until 31 March 2021.

Investment

This period has seen a number of prospective investments put their fundraising plans on hold whilst they navigated their way through and then accessed a number of the government initiatives (CBILS, Bounce Back Loans, furlough, accelerated research and development tax credits, PAYE, NI and VAT deferral schemes) and in some cases accelerated procurement plans. In addition, they revisited their own plans once they better understood the impact that the Covid-19 outbreak was having on their business, customers and markets. As a consequence, we have seen an elongation of the engagement process with these businesses prior to them finalising their equity raising plans. In more recent months, notwithstanding some of the prevailing uncertainties, these businesses have settled on their revised plans and we are seeing a marked increase in engagement with a view to securing equity investment.

As a result, since the period end, your Company has completed an investment of £2.40 million into Force24 and entered into exclusivity with a number of other businesses which we hope will translate into further investments.

Your Company has provided limited investment into the portfolio to ensure the ability to continue to trade through the current pandemic, providing a total of £0.13 million against a portfolio with a value at 30 September 2020 of £54.89 million. However, a number of the businesses are looking to further accelerate their growth plans and your Company anticipates supporting a number of them over the coming months.

INVESTMENT PORTFOLIO

The top 10 investments had a combined value of £40.1 million, 73.1 per cent of the total portfolio.

Name of Company	Sector	First investment	Current cost	Value at 30 September 2020	Proceeds to date	Capital return to date
			£000	£000	£000	£000
Matillion Limited	Software	Nov 16	2,046	9,912	2,105	12,017
Intelligent Office UK	Business Services	May 14	2,934	4,776	-	4,776
ACC Aviation Group Limited	Business Services	Nov 14	220	4,584	1,848*	6,432
Unbiased EC1 Limited	Business Services	Dec 19	2,946	3,673	-	3,673
Springboard Research Holdings Limited	Business Services	Oct 14	2,644	3,635	180	3,815
Deep-Secure Ltd	Software	Dec 09	1,000	3,395	-	3,395
Arcus Global Limited	Software	May 18	2,925	3,205	-	3,205
Elucidat Ltd	Software	May 19	2,100	2,371	-	2,371
KeTech Enterprises Limited	Software	Nov 15	1,500	2,283	500	2,783
Wooshii Limited	Business Services	May 19	2,160	2,279	-	2,279
Total top 10 investments			20,475	40,113	4,633	44,746
Other portfolio investments						
SharpCloud Software Limited	Software	Oct 19	2,190	1,916	-	1,916
Ncam Technologies Limited	Software	Mar 18	2,251	1,853	-	1,853
DisplayPlan Holdings Limited	Business Services	Jan 12	130	1,555	1,521	3,076
Sipsynergy (via Hosted Network Services Limited)	Software	Jun 16	1,770	1,502	-	1,502
Panintelligence (via Paninsight Limited)	Software	Nov 19	1,500	1,500	-	1,500
Traveltek Group Holdings Limited	Software	Oct 16	1,716	1,247	-	1,247
Tonkotsu Limited	Retail & Brands	Jun 19	2,388	821	-	821
£0.75 million and below	Other		15,247	4,380	8,898	13,278
Total portfolio			47,667	54,887	15,052	69,939
Full disposals since 31 March 2002			49,290	-	104,865	104,865
Full disposals prior to 31 March 2002			5,748	-	1,899	1,899
Total portfolio			102,705	54,887	121,816	176,703

*An ordinary dividend of £2,897,000 has also been received in addition to the capital proceeds noted above.

OUR PORTFOLIO AT A GLANCE

The charts on pages 13 and 14 of the interim report illustrate the broad range of the investment portfolio.

PRINCIPAL RISKS AND UNCERTAINTIES

In accordance with DTR 4.2.7, the Board confirms that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Accounts for the year ended 31 March 2020. 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; and
- Market/liquidity.

Full details of the principal risks can be found in the financial statements for the year ended 31 March 2020 on pages 33 to 35, a copy of which is available at www.bscfunds.com.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The directors of British Smaller Companies VCT plc are listed in note 9.

By order of the Board

Helen Sinclair

Chairman

* Disclosure Guidance and Transparency Rules – Annual Financial Report And Half-Yearly Financial Reports.

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2020

	Notes	Unaudited 6 months ended 30 September 2020			Unaudited 6 months ended 30 September 2019		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on investments held at fair value	6	-	7,105	7,105	-	3,169	3,169
Gains on disposal of investments	6	-	1,241	1,241	-	68	68
Gain arising from the investment portfolio		-	8,346	8,346	-	3,237	3,237
Income	2	3,564	-	3,564	939	-	939
Total income		3,564	8,346	11,910	939	3,237	4,176
Administrative expenses:							
Manager's fee		(200)	(600)	(800)	(198)	(592)	(790)
Other expenses		(259)	-	(259)	(274)	-	(274)
		(459)	(600)	(1,059)	(472)	(592)	(1,064)
Profit before taxation		3,105	7,746	10,851	467	2,645	3,112
Taxation	3	-	-	-	(22)	22	-
Profit for the period		3,105	7,746	10,851	445	2,667	3,112
Total comprehensive income for the period		3,105	7,746	10,851	445	2,667	3,112
Basic and diluted earnings per ordinary share	5	2.25p	5.62p	7.87p	0.32p	1.90p	2.22p

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 October 2019 – "SORP") published by the Association of Investment Companies.

UNAUDITED BALANCE SHEET

as at 30 September 2020

	Notes	Unaudited 30 September 2020 £000	Unaudited 30 September 2019 £000	Audited 31 March 2020 £000
Assets				
Non-current assets at fair value through profit and loss				
Investments	6	54,887	62,547	48,358
Listed investment funds	6	4,847	4,741	4,789
Financial assets		59,734	67,288	53,147
Accrued income and other assets		513	472	367
		60,247	67,760	53,514
Current assets				
Accrued income and other assets		403	1,393	229
Current asset investments		9,471	6,970	9,471
Cash and cash equivalents		27,049	25,459	25,952
		36,923	33,822	35,652
Liabilities				
Current liabilities				
Trade and other payables		(139)	(151)	(205)
Net current assets		36,784	33,671	35,447
Net assets		97,031	101,431	88,961
Shareholders' equity				
Share capital		15,075	14,950	14,950
Share premium account		23,433	22,838	22,838
Capital reserve		47,218	43,053	49,624
Investment holding gains and losses reserve		7,232	17,629	375
Revenue reserve		4,073	2,961	1,174
Total shareholders' equity		97,031	101,431	88,961
Net asset value per ordinary share	7	70.3p	72.4p	64.5p

Signed on behalf of the Board

Helen Sinclair
Chairman

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2020

	Share capital	Share premium account	Capital reserve	Investment holding gains and losses reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000
At 31 March 2019	11,833	2,868	49,556	15,250	2,516	82,023
<i>Revenue return for the period</i>	-	-	-	-	467	467
<i>Capital expenses</i>	-	-	(592)	-	-	(592)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	3,169	-	3,169
<i>Realisation of investments in the period</i>	-	-	68	-	-	68
<i>Taxation</i>	-	-	22	-	(22)	-
Total comprehensive (expense) income for the period	-	-	(502)	3,169	445	3,112
<i>Issue of ordinary share capital</i>	2,877	19,338	-	-	-	22,215
<i>Issue of shares - DRIS</i>	240	1,357	-	-	-	1,597
<i>Issue costs of ordinary shares*</i>	-	(725)	(207)	-	-	(932)
<i>Purchase of own shares</i>	-	-	(1,019)	-	-	(1,019)
<i>Dividends</i>	-	-	(5,565)	-	-	(5,565)
Total transactions with owners	3,117	19,970	(6,791)	-	-	16,296
Realisation of prior year investment holding gains	-	-	790	(790)	-	-
At 30 September 2019	14,950	22,838	43,053	17,629	2,961	101,431
<i>Revenue return for the period</i>	-	-	-	-	(166)	(166)
<i>Capital expenses</i>	-	-	(696)	-	-	(696)
<i>Investment holding loss on investments held at fair value</i>	-	-	-	(15,186)	-	(15,186)
<i>Realisation of investments in the period</i>	-	-	7,845	-	-	7,845
<i>Taxation</i>	-	-	(22)	-	22	-
Total comprehensive income (expense) for the period	-	-	7,127	(15,186)	(144)	(8,203)
<i>Purchase of own shares</i>	-	-	(1,484)	-	-	(1,484)
<i>Dividends</i>	-	-	(1,140)	-	(1,643)	(2,783)
Total transactions with owners	-	-	(2,624)	-	(1,643)	(4,267)
Realisation of prior year investment holding gains	-	-	2,068	(2,068)	-	-
At 31 March 2020	14,950	22,838	49,624	375	1,174	88,961

At 31 March 2020	14,950	22,838	49,624	375	1,174	88,961
Revenue return for the period	-	-	-	-	3,105	3,105
Capital expenses	-	-	(600)	-	-	(600)
Investment holding gain on investments held at fair value	-	-	-	7,105	-	7,105
Realisation of investments in the period	-	-	1,241	-	-	1,241
Total comprehensive income for the period	-	-	641	7,105	3,105	10,851
Issue of shares - DRIS	125	619	-	-	-	744
Issue costs of ordinary shares*	-	(24)	-	-	-	(24)
Purchase of own shares	-	-	(758)	-	-	(758)
Dividends	-	-	(2,537)	-	(206)	(2,743)
Total transactions with owners	125	595	(3,295)	-	(206)	(2,781)
Realisation of prior year investment holding gains	-	-	248	(248)	-	-
At 30 September 2020	15,075	23,433	47,218	7,232	4,073	97,031

*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 £000	Revenue reserve £000	Total £000
Distributable reserves as above	47,218	4,073	51,291
Less : Income/proceeds not yet distributable	(226)	(1,080)	(1,306)
: Revaluation losses	(845)	-	(845)
: Cancelled share premium not yet distributable	(1,491)	-	(1,491)
Reserves available for distribution*	44,656	2,993	47,649

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

The capital reserve and the revenue reserve are both distributable reserves. These reserves total £51,291,000, representing an increase of £493,000 in the period since 31 March 2020. The directors also take into account the level of the investment holding gains and losses reserve and the future requirements of the Company when determining the level of dividend payments.

Of the potentially distributable reserves of £51,291,000 shown above, £1,306,000 relates to income or proceeds not yet receivable and £1,491,000 to cancelled share premium which becomes distributable from 1 April 2021. In addition revaluation losses of £845,000 included within the investment holding gains and losses reserve are not considered to be recoverable.

UNAUDITED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2020

	Notes	Unaudited 6 months ended 30 September 2020 £000	Unaudited 6 months ended 30 September 2019 £000	Audited year ended 31 March 2020 £000
Profit (loss) before taxation		10,851	3,112	(5,091)
(Decrease) increase in trade and other payables		(66)	(18)	36
(Increase) decrease in accrued income and other assets		(94)	(193)	613
Gains on disposal of investments		(1,241)	(68)	(7,913)
(Gains) losses on investments held at fair value		(7,105)	(3,169)	12,017
Capitalised income		-	-	(89)
Net cash inflow (outflow) from operating activities		2,345	(336)	(427)
Cash flows from investing activities				
Purchase of financial assets at fair value through profit or loss	6	(130)	(9,865)	(17,413)
Proceeds from sale of financial assets at fair value through profit or loss	6	1,663	5,089	19,744
Deferred consideration		-	245	490
Net cash inflow (outflow) from investing activities		1,533	(4,531)	2,821
Cash flows from financing activities				
Issue of ordinary shares		-	22,073	22,215
Costs of ordinary share issues*		(24)	(790)	(932)
Purchase of own shares		(758)	(1,019)	(2,503)
Dividends paid	4	(1,999)	(3,968)	(6,751)
Net cash (outflow) inflow from financing activities		(2,781)	16,296	12,029
Net increase in cash and cash equivalents		1,097	11,429	14,423
Cash and cash equivalents at the beginning of the period		28,453	14,030	14,030
Cash and cash equivalents at the end of the period		29,550	25,459	28,453
Cash and cash equivalents comprise				
Money market funds		2,501	-	2,501
Cash at bank		27,049	25,459	25,952
Cash and cash equivalents at the end of the period		29,550	25,459	28,453

*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 their 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 March 2020 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2020. 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 March 2020.

The financial statements for the year ended 31 March 2020 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. 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.

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 September 2020 the Company held cash balances and fixed term deposits with a combined value of £36,520,000. 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 buybacks and the dividend policy. In the year ended 31 March 2020 the Company's costs and discretionary expenditures were:

	£'000
Administrative expenses (before fair value movements related to credit risk)	2,245
Share buybacks	2,503
Dividends (before DRIS)	8,348
<hr/> Total	<hr/> 13,096

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 September 2020 £000	Unaudited 6 months ended 30 September 2019 £000
Income from investments		
- Dividends from unquoted companies*	3,174	337
- Dividends from AIM quoted companies	-	5
	3,174	342
- Interest on loans to unquoted companies	271	419
	3,445	761
Dividends from listed investment funds	41	25
Interest from listed investment funds	23	14
Income from investments held at fair value through profit or loss	3,509	800
Interest on bank deposits	55	139
	3,564	939

* includes ordinary dividend of £2,897,000 from ACC Aviation.

3 Taxation

	Unaudited 6 months ended 30 September 2020			Unaudited 6 months ended 30 September 2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit before taxation	3,105	7,746	10,851	467	2,645	3,112
Profit before taxation multiplied by the standard small company rate of corporation tax in UK of 19.0% (2019: 19.0%)	590	1,472	2,062	89	502	591
Effect of:						
UK dividends received	(611)	-	(611)	(67)	-	(67)
Non-taxable profits on investments	-	(1,586)	(1,586)	-	(615)	(615)
Excess expenses	21	114	135	-	91	91
Tax charge (credit)	-	-	-	22	(22)	-

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 September 2020			Unaudited 6 months ended 30 September 2019			Audited Year ended 31 March 2020		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interim dividend for the year ending 31 March 2021 of 2.0p (2020: 4.0p) per ordinary share	206	2,537	2,743	-	5,565	5,565	-	5,565	5,565
Special interim dividend for the year ended 31 March 2020 of 2.0p per ordinary share	-	-	-	-	-	-	1,140	1,643	2,783
	206	2,537	2,743	-	5,565	5,565	1,140	7,208	8,348
Shares allotted under DRIS			(744)			(1,597)			(1,597)
Dividends paid in the Statement of Cash Flows			1,999			3,968			6,751

The interim dividend of 2.0 pence per ordinary share was paid on 31 July 2020 to shareholders on the register as at 3 July 2020.

An interim dividend of 2.0 pence per ordinary share, amounting to approximately £2.7 million, was paid on 5 October 2020 to shareholders on the register at 21 August 2020. 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 £10,851,000 (30 September 2019: £3,112,000) and 137,917,483 (30 September 2019: 139,880,826) 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 £3,105,000 (30 September 2019: £445,000) and 137,917,483 (30 September 2019: 139,880,826) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The basic and diluted capital profit per ordinary share is based on the capital profit attributable to equity shareholders of £7,746,000 (30 September 2019: £2,667,000) and 137,917,483 (30 September 2019: 139,880,826) ordinary shares being the weighted average number of ordinary shares in issue during the period.

During the period the Company allotted 1,254,024 new ordinary shares as part of its dividend re-investment scheme.

The Company has repurchased 1,226,827 of its own shares in the period and these shares are held in the capital reserve. The total of 12,819,817 treasury shares has been excluded in calculating the weighted average number of ordinary shares during the period.

The Company has no dilutive shares and hence the basic and diluted earnings per ordinary share are equivalent at 30 September 2020, 31 March 2020 and 30 September 2019.

6 Financial Assets at Fair Value through Profit or Loss

IFRS 13 and IFRS 7, in respect of financial instruments that are measured in the balance sheet at fair value, require 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 investments are included in Level 1 and comprise listed investment funds 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 (2020: 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

Unquoted investments are valued in accordance with IFRS 13 "Fair Value Measurement" and, using the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines ("the Guidelines") issued in March 2018 and updated in March 2020.

Initial measurement

The best estimate of the initial fair value of an unquoted investment is the cost of the investment. Unless there are indications that this is inappropriate, an unquoted investment will be held at this value within the first three months of investment.

Subsequent measurement

Based on the Guidelines we have identified 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 pages 67 and 68 of the financial statements for the year ended 31 March 2020, a copy of which can be found at www.bscfunds.com.

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

Unquoted Investments

> **sales multiples.** An appropriate multiple, given the risk profile and sales growth prospects of the underlying company, is applied to the revenue of the 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 used to derive the multiple.

> **earnings multiple.** An appropriate multiple, given the risk profile and earnings growth prospects of the underlying company, is applied to the maintainable earnings of the 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 used to derive the multiple.

Movements in investments at fair value through profit or loss during the six months to 30 September 2020 are summarised as follows:

IFRS 13 measurement classification	Level 3 Unquoted Investments	Level 1 Listed Investment Funds	Total Investments
	£000	£000	£000
Opening cost	47,897	4,875	52,772
Opening valuation gain (loss)	461	(86)	375
Opening fair value at 1 April 2020	48,358	4,789	53,147
Additions at cost	130	-	130
Disposal proceeds	(1,852)	(37)	(1,889)
Net profit on disposal	1,242	(1)	1,241
Change in fair value	7,009	96	7,105
Closing fair value at 30 September 2020	54,887	4,847	59,734
Closing cost	47,667	4,835	52,502
Closing valuation gain	7,220	12	7,232
Closing fair value at 30 September 2020	54,887	4,847	59,734

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 £3,165,000 (5.8 per cent) lower. Using the upside alternative the value would be increased by £2,432,000 (4.4 per cent).

Of the Company's financial assets through profit and loss, 92 per cent are in unquoted companies held at fair value. The valuation methodology for these investments includes the application of externally produced sales multiples and FTSE® PE multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Those using earnings and sales multiple methodologies include judgements regarding the level of discount applied to that multiple. A 10 per cent decrease in the discount applied would have increased the net assets attributable to the Company's shareholders and the total profit by £5,885,000 (6.1 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 £5,702,000 (5.9 per cent of net assets).

Of the Company's financial assets through profit or loss, 8 per cent are investment funds listed on the main market of the London Stock Exchange (including FCA authorised and regulated UCITS funds). A 5 per cent increase in stock prices as at 30 September 2020 would have increased the net assets attributable to the Company's shareholders and the total profit for the year by £242,000. 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 year by an equal amount.

There have been no individual fair value adjustments downwards during the period that exceeded 5 per cent of the total assets of the Company (31 March 2020: none).

The following disposals and loan repayments took place during the period.

	Net proceeds from sale	Cost	Opening carrying value as at 1 April 2020	Gain (loss) over opening carrying value
	£000	£000	£000	£000
<i>Unquoted investments</i>				
Springboard Research Holdings Limited	180	180	180	-
RMS Holdings Limited	1,446	180	430	1,016
	1,626	360	610	1,016
<i>Deferred proceeds</i>				
Business Collaborator Limited	226	-	-	226
Total from unquoted investments	1,852	360	610	1,242
Listed investment funds	37	40	38	(1)
Total from disposals in the period	1,889	400	648	1,241

The total from disposals in the table above is £1,889,000 whereas that shown in the Statement of cashflows is £1,663,000. The difference is due to the timing between the recognition of the deferred income and its receipt in cash.

7 Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £97,031,000 (30 September 2019 and 31 March 2020: £101,431,000 and £88,961,000 respectively) and 137,934,244 (30 September 2019 and 31 March 2020: 140,018,138 and 137,907,047 respectively) ordinary shares in issue at 30 September 2020.

The 12,819,817 (30 September 2019 and 31 March 2020: 9,481,899 and 11,592,990 respectively) treasury shares have been excluded in calculating the number of ordinary shares in issue at 30 September 2020.

The Company has no potentially dilutive shares and hence the basic and diluted net asset values are equivalent at 30 September 2020, 31 March 2020 and 30 September 2019.

8 Total Return

Total Return per ordinary share is calculated on cumulative dividends paid of 155.4 pence per ordinary share (30 September 2019: 151.4 pence per ordinary share and 31 March 2020: 153.4 pence per ordinary share) plus the net asset value as calculated in note 7.

9 Directors

The directors of the Company are Helen Sinclair, Adam Bastin, Jonathan Cartwright and Rupert Cook.

10 Post Balance Sheet Events

A second interim dividend of 2.0 pence per ordinary share in respect of the year ended 31 March 2021 was paid on 5 October 2020, bringing the cumulative dividends paid to date to 157.4 pence per ordinary share.

On 20 November 2020 the Company completed an investment of £2.4 million into Leeds based marketing automation software business Force24.

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.

12 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:

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