

# Investor Update Winter 2019

YFM Equity Partners

BRITISH SMALLER COMPANIES VCT2 PLC (BSC2)

bscfunds.com  
Transforming small businesses

*Dear Shareholder*  
*2019 has been a busy year.*



## Six New Investments in the Year to Date

So far, this year has seen a steady stream of new investments, with £5.6million invested in four additions to the portfolio in the nine months to the end of September: Frescobol Carioca, a seller of resort wear (£1.2million); Elucidat, an e-learning software business (£1.4million); Wooshii, a disruptive video agency (£1.4million); and Tonkotsu, a ramen restaurant group (£1.6million).

Since the end of September there have been a further two new investments, totalling £2.5million: SharpCloud, which has developed a visualisation and collaboration software tool for large organisations (£1.5million) and Panintelligence, a data visualisation, reporting and analytics software developer (£1.0million). Further investments totalling £1.3million have been made into the existing portfolio.

## Successful Exit from Eikon

In October your Company successfully realised the majority of its investment in Eikon through a management buyout backed by private equity firm Tenzing, giving a valuation uplift of £2.0million in the quarter to 30 September 2019. Proceeds of £2.0million out of a total value of £4.3million were received on completion, with the balance comprising deferred consideration, loan notes and a residual equity stake.

## General Election 2019

It is far too early to tell what impact the election result will have on the wider economy and the absolute nature and timing of the changes to the UK's political, legal and trading relationships with Europe. However some certainty is undoubtedly better than uncertainty. Additionally for the world of venture capital trusts, which are designed to invest in

small emerging businesses in the UK, stability in the political and regulatory regime can be helpful and we can continue to build our portfolio with the aims of creating value and employment and of those businesses having a positive impact on their wider communities.

## Performance

The Company has continued to make good progress this year, with Total Return rising by 1.8 pence per share to 120.2 pence, an increase of 3.0 per cent over the NAV of 59.9 pence per share at the beginning of the financial year. Following the payment of the interim dividend of 1.5 pence per share in September, total dividends paid this year are 8.0 pence per share and cumulative dividends are now 66.5 pence per share.

## Shareholder Workshop

The next Shareholder Workshop will take place on Tuesday 19 May 2020 at One Great George Street, Westminster SW1P 3AA. Your invitation is enclosed and I hope you can join us.

As ever, we do really value your feedback, so if there is anything you would like to see added to this Update, our Workshops or any other communication you receive from us, please do let us know.

Thank you again for your continued support of BSC2.

**David Hall**  
Managing Director, YFM Equity Partners

## Are you in the Dividend Re-investment Scheme? How to claim your upfront tax relief.

As an aid, here is a reminder how to claim your initial 30% upfront tax relief when purchasing new shares. This also applies to shares where dividends are re-invested, as those shares are treated as new shares.

### There are two ways to claim:

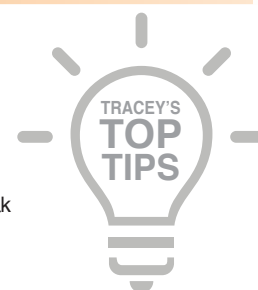
- 1) If you complete a self-assessment tax return, you can complete the SA101 additional information form, which can be downloaded from here: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/787523/SA101\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/787523/SA101_2019.pdf)
- 2) If you have invested towards the start of the tax year, you can call or write to HMRC asking them to adjust your tax code. This means the amount of income tax you pay will be reduced on a month-by-month basis, until your income tax relief is used up. You will need to include your national insurance number, a P60 form and a photocopy of your VCT tax certificate (**if you do this it is likely that HMRC will ask for a tax return to be completed**).

The letter can be sent to:  
HM Revenue and Customs  
Pay As You Earn and Self-Assessment  
HM Revenue and Customs  
BX9 1AS United Kingdom

You can call **0300 200 3300** if you want to speak to HMRC directly.

Please note that:

- > The income tax claimed cannot exceed the amount of the tax due.
- > The maximum investment on which income tax can be reclaimed is £200,000 per annum. If you are in the Dividend Re-investment Scheme, please make note of this.
- > If you forget to claim your tax relief, you can go back for up to five tax years.



For further information on this or any other shareholder matter, simply contact Tracey Nice (details back page) who will be happy to help.

Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT2 plc may go down as well as up and you may not get back the full amount invested.



**Business: Business Collaboration Software**

**Location: London**

**Transaction: Growth Capital**

**Deal Size: £4,500,000**

**Investment: 2019**

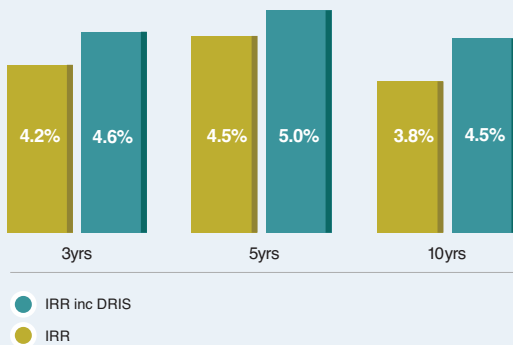


“We’re really excited to have found and partnered with an investor that understands and shares our vision. This round of funding comes at a time where we have begun to experience rapid growth, with the SharpCloud product continually garnering rave reviews and subsequent viral effects taking hold. We’re now able to capitalise on the huge opportunity that lies ahead.”

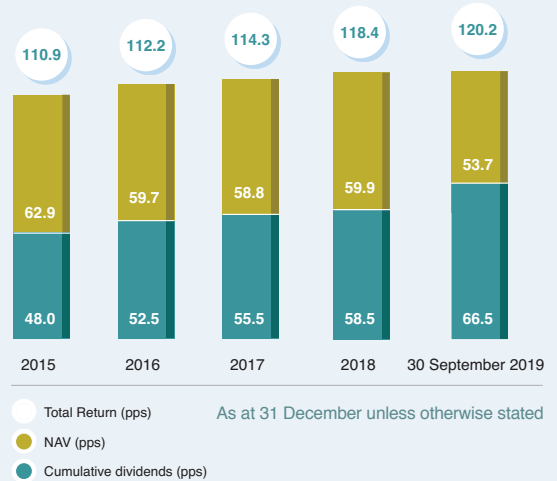
Sarim Khan, co-founder and CEO of SharpCloud

**BSC2 INVESTMENT RATE OF RETURN**

Average investment rate of return per annum of the Company over 3, 5 and 10 year periods to 31 December 2018.

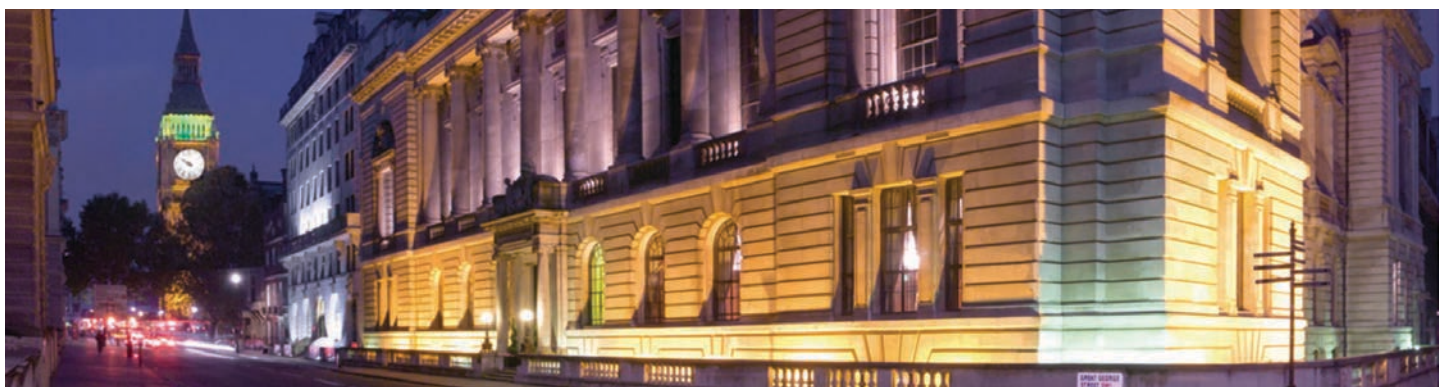


**BSC2 TOTAL SHAREHOLDER RETURN**



**Shareholder Workshop – note for the diary**

The next Shareholder Workshop will take place on Tuesday 19 May 2020 at One Great George Street (OGGS) – Westminster, London, SW1P 3AA. Shareholders wishing to attend should contact Tracey Nice on 0113 261 6478 or tracey.nice@yfme.com, providing your address and telephone number, or reply via the acceptance slip and FREEPOST YFM envelope included with this Update.



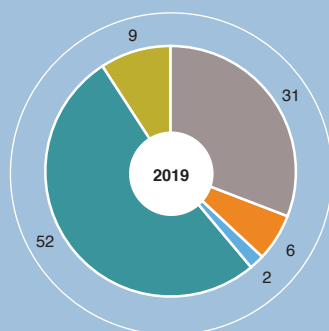
## Portfolio Update

With a relatively high level of new investment the portfolio balance continues to shift to having a greater proportion of equity-only investments. It is pleasing that overall the portfolio has been resilient in the year to date and latterly has seen further growth. In the quarter to September the investment portfolio delivered a strong unrealised gain of £2.6million (after netting off additions and proceeds) including £2.0million from Eikon, which reflected the realisation of the majority of this investment in October 2019. **The Top 10 investments** (including Eikon) generated a value gain in the quarter of £2.8million. **The quoted portfolio** saw a small value gain in the quarter after netting off share sale proceeds of £0.7million.

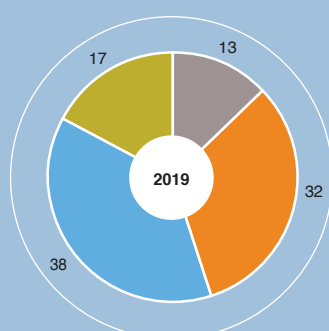
Company	Website	Unaudited investment valuation at 30 June 2019 £000	Proceeds £000	Additions £000	Valuation gains (losses) including profits on disposal £000	Unaudited investment valuation at 30 Sept 2019 £000	% of net asset value of £71.0m
ACC Aviation Group Limited	accaviation.com	6,178	–	–	↑ 301	6,479	9.1%
Matillion Limited	matillion.com	5,489	–	–	↔ 0	5,489	7.7%
Eikon (Holdco) Limited	eikongroup.co.uk	2,342	–	–	↑ 1,989	4,331	6.1%
Intelligent Office UK (IO Outsourcing Limited t/a Intelligent Office)	intelligentofficeuk.com	2,970	–	–	↑ 172	3,142	4.4%
Business Collaborator Limited	groupbc.com	2,627	–	–	↑ 220	2,847	4.0%
KeTech Enterprises Limited	ketech.com	1,971	–	–	↑ 340	2,311	3.3%
Springboard Research Holdings Limited	spring-board.info	1,675	–	–	↑ 84	1,759	2.5%
Tonkotsu Limited	tonkotsu.co.uk	1,592	–	–	↔ 0	1,592	2.3%
Deep-Secure Ltd	deep-secure.com	1,786	–	–	↓ (271)	1,515	2.1%
Wooshii Limited	wooshii.com	1,440	–	–	↔ 0	1,440	2.0%
<b>Top 10 total</b>		<b>28,070</b>	<b>–</b>	<b>–</b>	<b>2,835</b>	<b>30,905</b>	<b>43.5%</b>
Remainder of unquoted portfolio		14,761	(16)	–	(299)	14,446	20.4%
<b>Total unquoted portfolio</b>		<b>42,831</b>	<b>(16)</b>	<b>–</b>	<b>2,536</b>	<b>45,351</b>	<b>63.9%</b>
<b>Quoted portfolio</b>		<b>894</b>	<b>(699)</b>	<b>–</b>	<b>31</b>	<b>226</b>	<b>0.3%</b>
<b>Total portfolio</b>		<b>43,725</b>	<b>(715)</b>	<b>–</b>	<b>2,567</b>	<b>45,577</b>	<b>64.2%</b>

## Portfolio at a glance

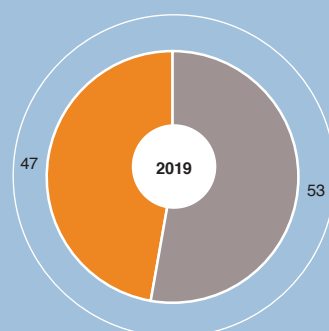
INDUSTRY SECTOR (%)



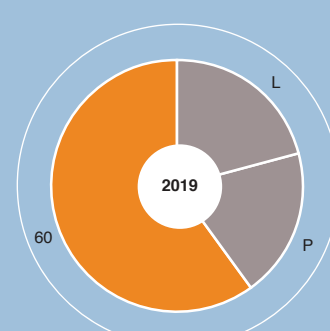
AGE OF INVESTMENT (%)



VCT RULES (%)



INVESTMENT INSTRUMENT (%)



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

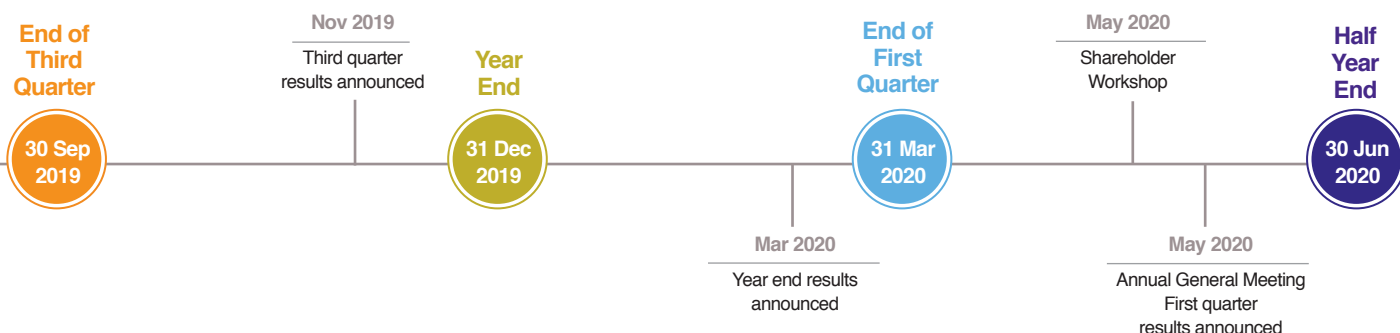
- Less than 1 year
- Between 1 and 3 years
- Between 3 and 5 years
- Greater than 5 years

- Investments made prior to rule change in 2015
- Investments made following rule change in 2015

- Loan (L)
  - Preference shares (P)
  - Ordinary shares (O)
- } 40%

Data source: Based on BSC2 Valuations at 30 September 2019

## Key dates



## For your records - Dividends and Dates

The table below displays the dates when BSC2 dividends have been paid and we hope you find it useful in keeping and checking your records.

Date paid	Pence per share	Date paid	Pence per share	Date paid	Pence per share
<b>Cumulative to 31 December 2010</b>	<b>26.0</b>	30 June 2014	2.5	29 September 2017	1.5
10 June 2011	2.0	7 October 2014	2.0	11 May 2018	1.5
8 September 2011	2.0	8 June 2015	2.5	28 September 2018	1.5
22 May 2012	2.0	28 September 2015	2.0	15 February 2019	5.0
26 October 2012	2.5	9 May 2016	2.5	10 May 2019	1.5
5 June 2013	2.5	26 September 2016	2.0	23 September 2019	1.5
27 September 2013	2.0	12 May 2017	1.5	<b>Cumulative to 30 September 2019</b>	<b>66.5</b>

### Important notice

Past performance is no guide to future performance and the value of an investment in British Smaller Companies VCT2 plc ("the Company") may go down as well as up and you may not get back the full amount invested. An investment in a VCT is higher risk than investing in other securities listed on the London Stock Exchange official list. You should regard an investment in the Company as a higher risk, long term investment. The Company invests in mostly unquoted companies which are small and which by their nature carry a heightened level of risk.

In the past there has been limited liquidity in VCT shares listed on the London Stock Exchange. It may therefore be difficult to realise shares in the Company in the future and the share price may not reflect the underlying net asset value.

Tax rules and regulations can change over time and the tax reliefs available are dependent on the Company maintaining HM Revenue & Customs approval, on individual circumstances and on investors retaining their shares for a five year period. We recommend that you seek independent financial advice from an appropriately authorised

independent financial adviser as to whether an investment in the Company is suitable for you, as well as your personal entitlement to tax reliefs associated with any share offer by the Company.

**This Investor Update is not an offer to invest in the Company. It is an advertisement and is not a prospectus.**

This Investor Update has been issued and approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by YFM Private Equity Limited ("YFM"), which is authorised and regulated by

the Financial Conduct Authority (FRN: 122120). YFM is the Investment Adviser to the Company.

YFM Private Equity Limited is ultimately owned by YFM Equity Partners LLP which is registered in England and Wales No: OC384467. Registered Office: 5th Floor, Valiant Building, 14 South Parade, Leeds LS1 5QS.

### CONTACT US

Please call or email for further information on any shareholder issue, including switching to direct dividend payments.

### Dividends

### Investor Queries

### General

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