

British Smaller Companies VCT2 plc

Unaudited Interim Results and Interim Management Report

for the six months ended 30 June 2023

British Smaller Companies VCT2 plc (the “Company”) today announces its unaudited interim results for the six months ended 30 June 2023.

HIGHLIGHTS

- Net Asset Value at 30 June 2023 of 57.95p per share (31 December 2022: 61.6p) following payment of dividends of 3.75p during the period
- Total Return increased by 0.1p to 142.7p per share
- Fully subscribed offer raised net proceeds of £27.5 million
- The Board has declared a third interim dividend of 1.5p per share in respect of the year ending 31 December 2023, which will bring total dividends paid in the current financial year to 5.25p per share, which equates to 8.5 per cent of the opening net asset value per share
- Three new investments and two follow-on investments totalling £7.4 million were completed during the period. Subsequent to the period end, one follow-on investment totalling £0.2 million has been completed, bringing the total invested this year to £7.6 million, following the £16.3 million invested in the full year to 31 December 2022

Chairman’s Statement

I am pleased to present the interim results of British Smaller Companies VCT2 plc (the “Company”) for the six months to 30 June 2023. This reflects a period where the UK has seen persistently high inflation, accompanied by rising interest rates, which have acted as a drag on economic activity and growth-focused share prices.

Despite these challenges, the Company has achieved a positive total return in the period, increasing by 0.1 pence to 142.7 pence per ordinary share at 30 June 2023. In contrast the FTSE Small Cap fell by 2.3 per cent over the same period. The Company continues to be ranked second across all generalist VCTs when considering a blended average performance ranking over 1, 3, 5, 7 and 10 years.

The positive performance has been driven by the resilience of underlying portfolio companies, which continue to see growing revenues, with companies increasingly focused on longer term sustainability by balancing growth with a path to profitability.

Due to the nature of the Company’s investments, there is limited direct exposure to rising interest rates. Conversely, these conditions, accompanied by a contraction in the debt markets following the failure of Silicon Valley Bank, present opportunities across the existing portfolio for the Company to deploy further capital.

Over the past six months, the Company has completed three new investments to the portfolio, totalling £5.3 million, and made two follow-on investments, totalling £2.1 million. Subsequent to the period end, a further £0.2 million has also been invested, taking the total invested so far this year to £7.6 million, following the £16.3 million invested in the full year to 31 December 2022.

Realisations in the Period

Realisations of portfolio investments generated total proceeds of £1.7 million in the period.

The Company realised its investment in Wakefield Acoustics in January, generating proceeds of £0.6 million and an overall return of 1.5x cost. This was a pleasing result, given the investment was valued at nil at the beginning of the previous financial year, emphasising the Company's commitment to portfolio companies at all stages through their growth journey.

The Company realised its investment in Ncam in April, generating initial proceeds of £0.9 million. There is the potential for additional receipts of up to £0.8 million depending on the achievement of certain milestones over the coming years, which would see the Company fully recover its investment. £0.2 million of deferred proceeds have been recognised at the period end.

Financial Results

The investment portfolio generated a return of £2.0 million in the period, driven by positive revaluations from a number of companies. The movement in net asset value ("NAV") per ordinary share and the dividends paid are set out in the table below.

	Pence per ordinary share		£000	
NAV at 31 December 2022		61.6		111,869
Net gain arising from investment portfolio	0.9		2,035	
Net operating costs	(0.3)		(602)	
Incentive fee	(0.5)		(1,180)	
Total Return in period		0.1		253
Issue/buy-back of new shares				28,433
NAV before the payment of dividends		61.7		140,555
Dividends paid		(3.75)		(7,528)
NAV at 30 June 2023		57.95		133,027
Cumulative dividends paid		84.75		
Total Return:	At 30 June 2023	142.7		
	At 31 December 2022	142.6		

Dividends

Following the realisations of Springboard and Intelligent Office in the previous financial year, a special dividend of 2.25 pence was paid on 11 January 2023.

An interim dividend of 1.5 pence per ordinary share for the year ending 31 December 2023 was paid on 26 June 2023, bringing the cumulative dividends paid to date to 84.75 pence per ordinary share.

Your Board has proposed an interim dividend of 1.5 pence per ordinary share for the year ending 31 December 2023 which, when combined with the above dividends, will bring total dividends paid in the current financial year to 5.25 pence per ordinary share (2022: 3.0 pence per ordinary share). The dividend will be paid on 3 November 2023 to shareholders on the register on 6 October 2023.

Shareholder Relations

The shareholder workshop held on 20 June 2023 was well attended. Attendees heard from Tom Dunlop, CEO of Summize, and Philip Hunt, Chair of Vuealta.

The Company will be hosting an online webinar in November 2023 to provide an update to shareholders; invites will be sent out in September.

Documents such as the annual report are now received electronically by 81 per cent of shareholders, rather than by post, which helps to meet the Board's impact objectives and reduces printing costs. The Board continues to encourage all shareholders to take up this option.

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

Fundraising

On 4 April 2023 the Company allotted shares from its fully subscribed 2022/23 share offer. £27.5 million was raised by the Company, resulting in the allotment of 46,357,328 ordinary shares.

On 2 August 2023, the Company announced its intention to launch a new joint offer for subscription for the tax year 2023-24 later this year, alongside British Smaller Companies VCT plc. A prospectus with full details of the proposed offer is expected to be published in mid-to-late September.

Outlook

The Company's portfolio continues to be resilient, with businesses delivering good growth, driven by the Company's backing of companies in sectors with long-term favourable trends, such as those driving digital transformation. The Board remains watchful of economic conditions and its knock-on impact to the portfolio, while also noting that such conditions often prove to be an opportune time to invest long term capital in fast growing businesses.

I thank shareholders for their continued support.

Peter Waller

Chairman

Objectives and Strategy

Investment Strategy

The Company seeks to build a broad portfolio of investments in early-stage companies focused on growth with the aim of spreading the maturity profiles and maximising return, as well as ensuring compliance with the VCT guidelines.

The Company predominantly invests in unquoted smaller companies and expects that this will continue to make up the significant majority of the portfolio. It will also retain holdings in cash or near-cash investments to provide a reserve of liquidity which will maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buybacks.

Unquoted investments are structured using various investment instruments, including ordinary preference shares, convertible securities and very occasionally loan stock, to achieve an appropriate balance of income and capital growth, having regard to the VCT legislation. The portfolio is diversified by investing in a broad range of industry sectors. The normal investment period into the portfolio companies is expected to be typically between the range of five to seven years.

Investment policy

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 re-investing their profits for growth and the investments will comprise mainly equity instruments.

The Company seeks to build a broad portfolio of investments in early-stage companies focused on growth with the aim of spreading the maturity profiles and maximising return as well as ensuring compliance with the VCT guidelines.

Investment Review

At 30 June 2023 the Company's portfolio was valued at £89.2 million. The top ten investments represent 44.2 per cent of the net asset value with the largest representing 15.8 per cent of the net asset value.

The movements in the investment portfolio are set out below:

Table A

Investment Portfolio

	Portfolio £million	Listed investment funds £million	Investment Portfolio £million
Opening fair value at 1 January 2023	81.4	1.6	83.0
Additions	7.4	0.4	7.8
Disposal proceeds	(1.7)	(0.2)	(1.9)
Gain (loss) arising from the investment portfolio	2.1	(0.1)	2.0
Closing fair value at 30 June 2023	89.2	1.7	90.9

The Company's portfolio delivered a positive performance over the period, generating a return of £2.1 million, of which £2.2 million arose from the residual portfolio, offset by a small loss of £0.1 million from realisations. As noted above, there was also a fall in value of £0.1 million from the listed investment portfolio, which forms part of the Company's treasury management.

There were upward revaluations from Unbiased, Displayplan, Traveltek and Wooshii, offset by decreases from ACC and Relative Insight. Matillion's valuation also reduced due to decreases in valuation multiples of comparable public companies.

Realisation of Investments

During the six months to 30 June 2023, the portfolio generated £1.7 million from disposals, a loss of £0.1 million over the opening carrying value and a loss of £0.6 million on cost. Further details, including movements from listed funds, are given in note 6.

Investments

During the six months ended 30 June 2023, the Company completed five investments, totalling £7.4 million. This comprised three new investments, totalling £5.3 million, and two follow-on investments, totalling £2.1 million. The breakdown of these investments is shown below:

			Investments made £million	
Company	Description	New	Follow-on	Total
DrDoctor	Patient engagement and communications software platform	2.4	-	2.4
Workbuzz	SAAS-based employee engagement, survey and insights platform	1.7	-	1.7
Quality Clouds	B2B software	-	1.6	1.6
Xapien	Automated background research software	1.2	-	1.2
Relative Insight	AI-based text data analytics platform	-	0.5	0.5
Invested in the period		5.3	2.1	7.4

Following the initial investment into Quality Clouds in May 2022, the Company participated in a further capital raise in March, providing £1.6 million of additional funding to enable the company to expand its team and execute on a growing sales pipeline. The Company also invested a further £0.5 million into Relative Insight.

Cash Deposits and other Liquid Funds

In the current market of rising interest rates the Company is taking an active approach to cash management, while ensuring its primary aim of capital preservation is met. This is managed through the use of a diversified pool of money market funds (which can be converted back to cash with immediate notice), cash deposits with tier one banking institutions, and a small, diversified portfolio of listed investment funds. At 30 June 2023 this listed portfolio was valued at £1.7 million, or 1.3 per cent of net assets; this reduced in value by £0.1 million in the period, predominantly driven by a reduction in the valuation of its bond investments.

Portfolio

The top 10 investments had a combined value of £58.7 million, 65.8 per cent of the total portfolio.

Name of Company	Sector	First investment	Amount invested £000	Value at 30 June 2023 £000	Recognised income/ proceeds to date £000	Return to date* £000
Matillion Limited	Data	Nov 16	1,778	21,022	5,946	26,968
Unbiased Limited	EC1 Tech-enabled Services	Dec 19	3,731	7,008	-	7,008
Outpost Limited	VFX New Media	Feb 21	3,000	5,786	20	5,806
Displayplan Holdings Limited	Business Services	Jan 12	700	4,754	1,706	6,460
Wooshii Limited	New Media	May 19	3,096	4,654	360	5,014
Elucidat Ltd	Application Software	May 19	2,640	4,151	84	4,235
Force24 Ltd	Application Software	Nov 20	2,100	3,172	-	3,172
Vypr Validation Technologies Limited	Tech-enabled Services	Jan 21	2,200	2,772	-	2,772
ACC Aviation Group Limited	Business Services	Nov 14	1,379	2,741	3,525	6,266
Quality Clouds Limited	Data	May 22	2,610	2,688	-	2,688
SharpCloud Software Limited	Data	Oct 19	2,271	2,567	-	2,567
DrDoctor (via ICNH Ltd)	Application Software	Feb 23	2,377	2,377	-	2,377
KeTech Enterprises Limited	Tech-enabled Services	Nov 15	2,000	2,110	2,599	4,709
Traveltek Group Holdings Limited	Application Software	Oct 16	1,163	1,834	576	2,410
Tonkotsu Limited	Retail & Brands	Jun 19	1,592	1,831	-	1,831
Relative Insight Limited	Tech-enabled Services	Mar 22	2,536	1,796	-	1,796
AutomatePro Limited	Cloud & DevOps	Dec 22	1,483	1,777	-	1,777
Workbuzz Analytics Ltd	Application Software	Jun 23	1,718	1,718	-	1,718

Vuealta Holdings Limited	Tech-enabled Services	Sep 21	2,030	1,463	3,067	4,530
Plandek Limited	Cloud & DevOps	Oct 22	1,380	1,380	-	1,380
Sipsynergy (via Hosted Network Services Limited)	Cloud & DevOps	Jun 16	2,045	1,292	-	1,292
Summize Limited	Application Software	Oct 22	1,200	1,257	-	1,257
Frescobol Carioca Ltd	Retail & Brands	Mar 19	1,200	1,244	-	1,244
Xapien (via Digital Insight Technologies Limited)	Application Software	Mar 23	1,160	1,240	-	1,240
Biorelate Limited	Application Software	Nov 22	1,040	1,034	-	1,034
Panintelligence (via Paninsight Limited)	Data	Nov 19	1,000	1,000	-	1,000
e2E Engineering Limited	Business Services	Sep 17	600	950	155	1,105
Macro Art Holdings Limited	Business Services	Jun 16	840	727	666	1,393
£0.5 million and below			11,797	2,829	4,561	7,330
Total investments			62,666	89,174	23,265	112,439
Full disposals to date			48,145	-	76,630	76,630
Total portfolio			110,811	89,174	99,895	189,069

* Represents recognised income and proceeds received to date plus the unrealised valuation at 30 June 2023

OUR PORTFOLIO AT A GLANCE

The charts on page 13 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 December 2022. 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:

- > VCT Qualifying Status;
- > Economic;
- > Investment and Strategic;
- > Regulatory;
- > Legislative;
- > Reputational;
- > Operational;
- > Cyber Security and Information Technology;
- > ESG; and
- > Liquidity.

Full details of the principal risks can be found in the financial statements for the year ended 31 December 2022 on pages 32 to 34, a copy of which is available at www.bscfunds.com.

Directors' Responsibilities Statement

The directors of British Smaller Companies VCT2 plc confirm that, to the best of their knowledge, the condensed set of financial statements in this interim report have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the UK, and 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 11 of these interim financial statements.

By order of the Board

Peter Waller

Chairman

Unaudited Statement of Comprehensive Income

for the six months ended 30 June 2023

	Notes	Unaudited 6 months ended			Unaudited 6 months ended		
		30 June 2023			30 June 2022		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on investments held at fair value	6	-	2,108	2,108	-	2,364	2,364
Loss on disposal of investments	6	-	(73)	(73)	-	-	-
Income	2	720	-	720	275	-	275
Total income		720	2,035	2,755	275	2,364	2,639
Administrative expenses:							
Manager's fee		(250)	(751)	(1,001)	(205)	(613)	(818)
Incentive fee		-	(1,180)	(1,180)	-	(363)	(363)
Other expenses		(321)	-	(321)	(295)	-	(295)
		(571)	(1,931)	(2,502)	(500)	(976)	(1,476)
Profit (loss) before taxation		149	104	253	(225)	1,388	1,163
Taxation	3	-	-	-	-	-	-
Profit (loss) for the period		149	104	253	(225)	1,388	1,163
Total comprehensive income (expense) for the period		149	104	253	(225)	1,388	1,163
Basic and diluted earnings (loss) per ordinary share	5	0.07p	0.05p	0.12p	(0.13p)	0.77p	0.64p

The Total column of this statement represents the Company's Unaudited Statement of Comprehensive Income, prepared in accordance with UK adopted international accounting standards. 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 July 2022 – "SORP") published by the Association of Investment Companies.

Unaudited Balance Sheet

as at 30 June 2023

	Notes	Unaudited 30 June 2023 £000	Unaudited 30 June 2022 £000	Audited 31 December 2022 £000
ASSETS				
Non-current assets at fair value through profit or loss				
Investments	6	89,174	78,161	81,385
Listed investment funds	6	1,746	647	1,596
Financial assets at fair value through profit or loss	6	90,920	78,808	82,981
Accrued income and other assets		1,403	688	948
		92,323	79,496	83,929
Current assets				
Accrued income and other assets		148	48	287
Current asset investments		21,750	1,988	1,988
Cash and cash equivalents		20,134	28,583	26,486
		42,032	30,619	28,761
LIABILITIES				
Current liabilities				
Trade and other payables		(148)	(116)	(821)
Provisions for liabilities and charges	7	(1,180)	(363)	-
Net current assets		40,704	30,140	27,940
Net assets		133,027	109,636	111,869
Shareholders' equity				
Share capital		24,903	19,921	20,014
Share premium account		24,899	430	858
Capital redemption reserve		88	88	88
Other reserve		2	2	2
Merger reserve		5,525	5,525	5,525
Capital reserve		41,959	52,519	52,263
Investment holding gains and losses reserve		34,446	30,373	31,762
Revenue reserve		1,205	778	1,357
Total shareholders' equity		133,027	109,636	111,869
Net asset value per ordinary share	8	57.95p	60.3p	61.6p

Signed on behalf of the Board
Peter Waller
Chairman

Unaudited Statement of Changes in Equity

for the six months ended 30 June 2023

	Share capital £000	Share premium account £000	Other reserves* £000	Capital reserve £000	Investment holding gains and losses reserve £000	Revenue reserve £000	Total equity £000
At 31 December 2021	15,808	24,122	5,615	12,818	28,009	1,003	87,375
<i>Revenue loss for the period</i>	-	-	-	-	-	(225)	(225)
<i>Expenses charged to capital</i>	-	-	-	(976)	-	-	(976)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	2,364	-	2,364
Total comprehensive (expense) income for the period	-	-	-	(976)	2,364	(225)	1,163
<i>Issue of share capital</i>	4,023	21,274	-	-	-	-	25,297
<i>Issue of shares - DRIS</i>	90	452	-	-	-	-	542
<i>Issue costs</i>	-	(1,103)	-	-	-	-	(1,103)
<i>Share premium cancellation</i>	-	(44,315)	-	44,315	-	-	-
<i>Purchase of own shares</i>	-	-	-	(920)	-	-	(920)
<i>Dividends</i>	-	-	-	(2,718)	-	-	(2,718)
Total transactions with owners	4,113	(23,692)	-	40,677	-	-	21,098
At 30 June 2022	19,921	430	5,615	52,519	30,373	778	109,636
<i>Revenue return for the period</i>	-	-	-	-	-	579	579
<i>Expenses charged to capital</i>	-	-	-	(998)	-	-	(998)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	1,923	-	1,923

<i>Realisation of investments in the period</i>	-	-	-	3,586	-	-	3,586
Total comprehensive income for the period	-	-	-	2,588	1,923	579	5,090
<i>Issue of shares - DRIS</i>	93	450	-	-	-	-	543
<i>Issue costs</i>	-	(22)	-	-	-	-	(22)
<i>Purchase of own shares</i>	-	-	-	(652)	-	-	(652)
<i>Dividends</i>	-	-	-	(2,726)	-	-	(2,726)
Total transactions with owners	93	428	-	(3,378)	-	-	(2,857)
Realisation of prior year investment holding gains	-	-	-	534	(534)	-	-
At 31 December 2022	20,014	858	5,615	52,263	31,762	1,357	111,869
<i>Revenue return for the period</i>	-	-	-	-	-	149	149
<i>Expenses charged to capital</i>	-	-	-	(1,931)	-	-	(1,931)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	2,108	-	2,108
<i>Realisation of investments in the period</i>	-	-	-	(73)	-	-	(73)
Total comprehensive (expense) income for the period	-	-	-	(2,004)	2,108	149	253
<i>Issue of share capital</i>	4,636	24,076	-	-	-	-	28,712
<i>Issue of shares - DRIS</i>	253	1,201	-	-	-	-	1,454
<i>Issue costs</i>	-	(1,236)	-	-	-	-	(1,236)
<i>Purchase of own shares</i>	-	-	-	(497)	-	-	(497)
<i>Dividends</i>	-	-	-	(7,227)	-	(301)	(7,528)
Total transactions with owners	4,889	24,041	-	(7,724)	-	(301)	20,905
Realisation of prior year investment holding losses	-	-	-	(576)	576	-	-
At 30 June 2023	24,903	24,899	5,615	41,959	34,446	1,205	133,027

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

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	41,959	1,205	43,164
Cancelled share premium not yet distributable	(27,879)	-	(27,879)
Income/proceeds not yet distributable	(198)	(1,205)	(1,403)
Reserves available for distribution*	13,882	-	13,882

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

The capital reserve and the revenue reserve are both distributable reserves. These reserves total £43,164,000, representing a decrease of £10,456,000 in the period since 31 December 2022. The directors also consider 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 £43,164,000 shown above, £1,403,000 relates to income/proceeds not yet receivable.

Total share premium cancelled is available for distribution from the following dates:

	£000
1 January 2024	299
1 January 2025	7,387
1 January 2026	20,193
Cancelled share premium account not yet distributable	27,879

Unaudited Statement of Cash Flows

for the six months ended 30 June 2023

	Notes	Unaudited 6 months ended 30 June 2023 £000	Unaudited 6 months ended 30 June 2022 £000	Audited year ended 31 December 2022 £000
Profit before taxation		253	1,163	6,253
Increase in provisions for liabilities and charges		1,080	363	-
Decrease in trade and other payables		(573)	(4,427)	(3,722)
Increase in accrued income and other assets		(118)	(30)	(529)
Loss (gains) on disposal of investments		73	-	(3,586)
Gains on investments held at fair value		(2,108)	(2,364)	(4,287)
Capitalised income		-	-	(40)
Net cash outflow from operating activities		(1,393)	(5,295)	(5,911)
Cash flows from (used in) investing activities				
Cash maturing from fixed term deposits		1,988	-	-
Purchase of financial assets at fair value through profit or loss	6	(7,817)	(6,425)	(17,978)
Proceeds from sale of financial assets at fair value through profit or loss	6	1,715	-	12,929
Deferred consideration	6	-	4	4
Net cash outflow from investing activities		(4,114)	(6,421)	(5,045)

Cash flows from (used in) financing activities

Issue of ordinary shares		28,712	25,297	25,297
Costs of ordinary share issues*		(1,236)	(1,103)	(1,125)
Purchase of own shares		(497)	(920)	(1,572)
Dividends paid	4	(6,074)	(2,176)	(4,359)
Net cash inflow from financing activities		20,905	21,098	18,241
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Net increase in cash and cash equivalents		15,398	9,382	7,285
Cash and cash equivalents at the beginning of the period		26,486	19,201	19,201
Cash and cash equivalents at the end of the period		41,884	28,583	26,486
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Cash and cash equivalents comprise				
Money market funds		21,750	-	-
Cash at bank		20,134	28,583	26,486
Cash and cash equivalents at the end of the period		41,884	28,583	26,486

*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 11, 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 International Standard on Review Engagements (UK and Ireland) 2410 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 2022 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2022. 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 2022. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 annual report.

The accounts have been prepared on a going concern basis as set out below and in accordance with UK adopted international accounting standards.

The accounts 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 July 2022 – "SORP") to the extent that they do not conflict with UK adopted international accounting standards.

The financial statements are prepared in accordance with UK adopted international accounting standards (IFRSs) and interpretations in force at the reporting date. New standards coming into force during the period and future standards that come into effect after the period-end have not had a material impact on these financial statements.

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. The Company has determined that the transitional effects of the standards do not have a material impact.

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 2023 the Company held cash balances, money market funds, listed investment funds and fixed term deposits with a combined value of £43,630,000. 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. In the year ended 31 December 2022 the Company's costs and discretionary expenditures were:

	£'000
Administrative expenses (before fair value movements related to credit risk and incentive fee)	2,359
Share buybacks	1,572
Dividends (before DRIS)	5,444
Total	9,375

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 2023 £000	Unaudited 6 months ended 30 June 2022 £000
Income from investments		
- Interest on loans to unquoted companies	71	100
- Dividends from unquoted companies	153	114
Income from unquoted portfolio	224	214
Income from listed investment funds	29	-
Income from investments held at fair value through profit or loss	253	214
Interest on bank deposits/money market funds	467	61
	720	275

3 Taxation

	Unaudited 6 months ended			Unaudited 6 months ended		
	30 June 2023			30 June 2022		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Profit (loss) before taxation	149	104	253	(225)	1,388	1,163
Profit (loss) before taxation multiplied by the standard small company rate of corporation tax in UK of 19.0% (2022: 19.0%)	28	20	48	(43)	264	221
Effect of:						
UK dividends received	(29)	-	(29)	(22)	-	(22)
Non-taxable profits on investments	-	(387)	(387)	-	(449)	(449)
Deferred tax not recognised	1	367	368	65	185	250
Tax charge	-	-	-	-	-	-

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			Unaudited 6 months ended		
	30 June 2023			30 June 2022		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
First interim dividend for the year ending 31 December 2023 of 2.25p (2022: 1.5p) per ordinary share	-	4,097	4,097	-	2,718	2,718
Second interim dividend for the year ended 31 December 2023 of 1.5p (2022 1.5p) per ordinary share	301	3,130	3,431	-	-	-
	301	7,227	7,528	-	2,718	2,718
Shares allotted under DRIS			(1,454)			(542)
Dividends paid in the Statement of Cash Flows			6,074			2,176

	Audited year ended 31 December 2022		
	Revenue	Capital	Total
	£000	£000	£000
First interim dividend for the year ending 31 December 2023 of 2.25p (2022: 1.5p) per ordinary share	-	2,718	2,718
Second interim dividend for the year ended 31 December 2023 of 1.5p (2022 1.5p) per ordinary share	-	2,726	2,726
	-	5,444	5,444
Shares allotted under DRIS			(1,085)
Dividends paid in the Statement of Cash Flows			4,359

The first interim dividend of 2.25 pence per ordinary share was paid on 11 January 2023 to shareholders on the register as at 18 November 2022.

The second interim dividend of 1.5 pence per ordinary share was paid on 26 June 2023 to shareholders on the register as at 12 May 2023.

A third interim dividend of 1.5p per ordinary share amounting to approximately £3.4 million is proposed. This 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 £253,000 (30 June 2022: £1,163,000) and 204,822,093 (30 June 2022: 180,486,872) 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 £149,000 (30 June 2022: loss of £225,000) and 204,822,093 (30 June 2022: 180,486,872) 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 £104,000 (30 June 2022: £1,388,000) and 204,822,093 (30 June 2022: 180,486,872) ordinary shares being the weighted average number of ordinary shares in issue during the period.

During the period the Company allotted 46,357,328 new ordinary shares from the fundraising, and 2,534,656 new ordinary shares in respect of its DRIS.

The Company has also repurchased 875,911 of its own shares in the period and these shares are held in the capital reserve. The total of 19,542,723 treasury shares has been excluded in calculating the weighted average number of ordinary shares during the period.

The Company has no dilutive shares and consequently, basic and diluted earnings per ordinary share are equivalent at 30 June 2023, 31 December 2022 and 30 June 2022.

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 instruments 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 revenue 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 (2022: 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 December 2022.

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 66 and 67 of the financial statements for the year ended 31 December 2022, 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

> **revenue multiple.** An appropriate multiple, given the risk profile and revenue 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 June 2023 are summarised as follows:

IFRS 13 measurement classification	Level 3 Unquoted Investments £000	Level 1 Listed Investment Funds £000	Total Investments £000
Opening cost	49,494	1,752	51,246
Opening valuation gain (loss)	31,891	(156)	31,735
Opening fair value at 1 January 2023	81,385	1,596	82,981
Additions at cost	7,402	415	7,817
Disposal proceeds	(1,754)	(159)	(1,913)
Net loss on disposals	(69)	(4)	(73)
Change in fair value	3,371	(102)	3,269
Foreign exchange loss	(1,161)	-	(1,161)
Closing fair value at 30 June 2023	89,174	1,746	90,920
Closing cost	54,502	1,999	56,501
Closing valuation gain (loss)	34,672	(253)	34,419
Closing fair value at 30 June 2023	89,174	1,746	90,920

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

IFRS13 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to fair value measurement. Each unquoted portfolio company has been reviewed and both downside and upside alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternative the value of the unquoted investments would be £4,322,000 (4.8 per cent) lower. Using the upside alternative the value would be increased by £4,443,000 (5.0 per cent).

98 per cent of the Company's investments are in unquoted companies held at fair value. The valuation methodology for these investments includes the application of externally produced revenue and earnings multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Those using revenue and earnings multiple methodologies include judgements regarding the level of discount applied to that multiple. The effect of changing the level of discounts applied to the multiples is considered above.

2 per cent of the Company's investments 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 June 2023 would have increased the net assets attributable to the Company's shareholders and the total profit by £87,000. An equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit 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 2022: none).

The following disposals took place during the period.

	Net proceeds from sale £000	Cost £000	Opening carrying value as at 1 January 2023 £000	Loss over opening carrying value £000
Unquoted investments				
Ncam Technologies Limited	1,106	1,675	1,175	(69)
Wakefield Acoustics (via Malvar Engineering Limited)	648	720	648	-
Total from portfolio	1,754	2,395	1,823	(69)
Listed investment funds	159	167	163	(4)
Total from investment portfolio	1,913	2,562	1,986	(73)

The total from disposals in the table above is £1,913,000 whereas that shown in the Statement of Cash Flows is £1,715,000. This is due to the timing differences between the recognition of the deferred income arising on realisations and its receipt in cash.

7 Provisions for Liabilities and Charges

Incentive fee

Under the terms of the Subscription Rights Agreement, the Manager and Chord Capital are entitled to a performance-related incentive fee if the cumulative dividends per ordinary share paid or payable as at the last business day of December in any year, plus the average of the middle market price per ordinary share of the five dealing days prior to that day, exceeds a Hurdle. The Hurdle for the year ending 31 December 2023 is 137.25 pence per ordinary share. The value of the incentive fee is 20 per cent of the excess to the Hurdle, multiplied by the number of ordinary shares issued. At 30 June 2023 the total of cumulative cash dividends paid and the mid-market price was 140.45 pence per ordinary share. In accordance with the Company's accounting policy, an accrual of £1,180,000 has been recognised based on the number of shares in issue at 30 June 2023.

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 £133,027,000 (30 June 2022 and 31 December 2022: £109,636,000 and £111,869,000 respectively) and 229,484,783 (30 June 2022 and 31 December 2022: 181,720,724 and 181,468,710 respectively) ordinary shares in issue at 30 June 2023.

Treasury shares have been excluded in calculating the number of ordinary shares in issue at 30 June 2023.

The Company has no potentially dilutive shares and consequently, basic and diluted net asset values are equivalent at 30 June 2023, 31 December 2022 and 30 June 2022.

9 Total Return

Total Return per ordinary share is calculated on cumulative dividends paid of 84.75 pence per ordinary share (30 June 2022: 79.5 pence per ordinary share and 31 December 2022: 81.0 pence per ordinary share) plus the net asset value as calculated in note 8.

10 Post Balance Sheet Events

Subsequent to the period end the Company has invested a further £0.2 million into Elucidat.

11 Directors

The directors of the Company are Peter Waller, Barbara Anderson and Roger McDowell.

12 Interim Dividend for the year ending 31 December 2023

The directors are pleased to announce the payment of a third interim dividend for the year ending 31 December 2023 of 1.5 pence per ordinary share (“Interim Dividend”).

The Interim Dividend will be paid on 3 November 2023 to those shareholders on the Company’s register at the close of business on 6 October 2023. The ex-dividend date will be 5 October 2023.

13 Dividend Re-investment Scheme (“DRIS”)

The Company operates a 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 20 October 2023.

14 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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