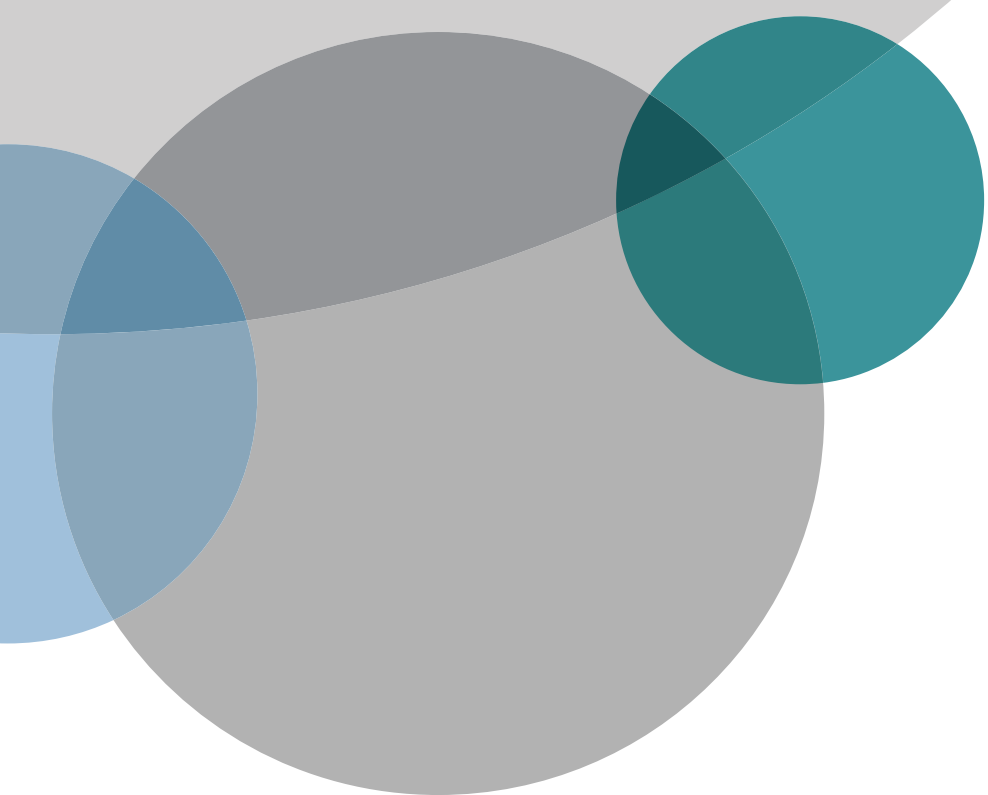




British Smaller Companies VCT plc

Interim Report

for the six months ended 30 September 2019



bscfunds.com

Transforming small businesses

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BRITISH SMALLER COMPANIES VCT PLC

Registered number 03134749

Financial Highlights

TOTAL RETURN*

223.8p

Your Company's Total Return was up 2.1 pence per ordinary share at 223.8 pence per ordinary share, which includes cumulative dividends paid of 151.4 pence per ordinary share.

CUMULATIVE DIVIDENDS PAID

151.4p

An interim dividend of 4.0 pence per ordinary share in respect of the year ending 31 March 2020 was paid on 12 June 2019. As a result cumulative dividends paid since your Company's inception increased to 151.4 pence per ordinary share.

INVESTED

£7.8m

Your Company completed three new investments and one follow-on investment during the six months to 30 September 2019.

INVESTMENT GROWTH

5.4%

The underlying growth (including realisations) in the investment portfolio was £3.2 million, which represents an increase of 5.4 per cent.

FUNDRAISING

£21.3m

The joint offer with British Smaller Companies VCT2 plc was fully subscribed, raising net funds of £21.3 million.

* Total Return ("TR") is calculated as the total of current net asset value per ordinary share plus cumulative dividends paid since inception.

Financial Summary

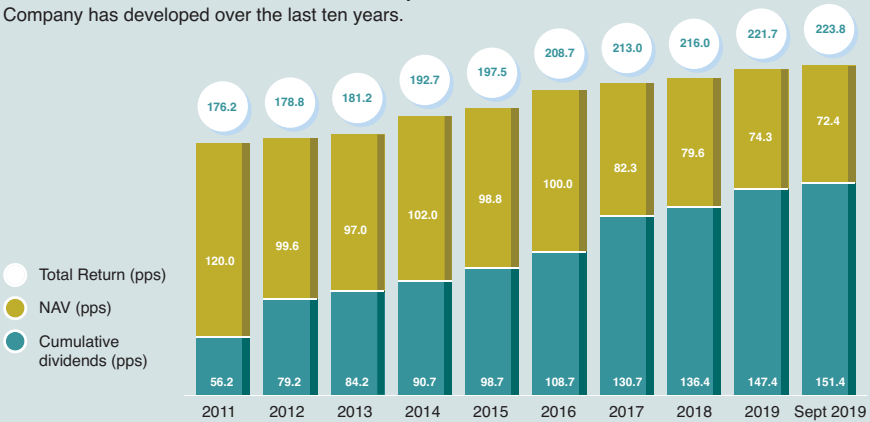
for the six months ended 30 September 2019

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

Total Return

As at 31 March unless otherwise stated.

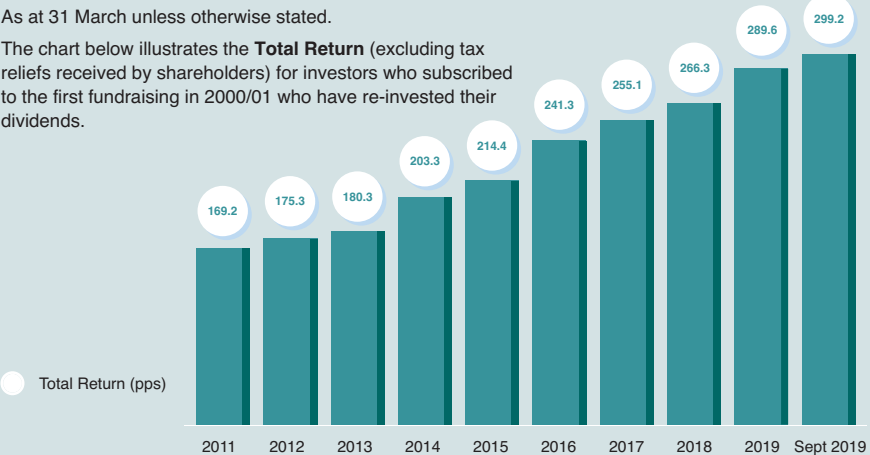
The chart below shows how the **Total Return** of your Company has developed over the last ten years.



Total Return with DRIS

As at 31 March unless otherwise stated.

The chart below illustrates the **Total Return** (excluding tax reliefs received by shareholders) for investors who subscribed to the first fundraising in 2000/01 who have re-invested their dividends.



Chairman's Statement

Whilst there has been a backdrop of political uncertainty and some signs of economic weakness I am pleased to report that **Total Return** increased by 2.1 pence to 223.8 pence per ordinary share in the first six months of the financial year, an increase of 2.8 per cent of the net asset value at 31 March 2019.

Investment Activity

The strong level of investment seen in the previous financial year has continued into the first half of this financial year, with new and follow-on investments totalling £7.8 million. These were:

- > £2.4 million into **Tonkotsu Limited**, a ramen restaurant group.
- > £2.2 million into **Wooshii Limited**, a disruptive technology video agency.
- > £2.1 million into **Elucidat Limited**, an e-learning software business.
- > A follow-on investment of £1.1 million was made into **Arcus Global Limited**.

Subsequent to the period end your Company has invested £2.2 million into **SharpCloud Software Limited**, a software company that has developed an enterprise software product that is a visualisation and collaboration tool for large organisations and has made a small further investment into **Ncam Technologies Limited**. Also subsequent to the period end your Company has part-realised its investment in **Eikon Holdco Limited**, which has resulted in a valuation uplift of £3.0 million in the quarter to 30 September 2019. The Company has to date received proceeds of £3.0 million out of a total value of £6.5 million. The balance comprises deferred consideration, loan notes and a residual equity stake. The terms of the deferred consideration are expected to result in further receipts in the near term.

Financial Results and Dividends

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

	Pence per ordinary share
Total Return	
Total Return at 1 April 2019	221.7
Net underlying increase in investment portfolio	2.3
Net income after expenses	(0.1)
Issue/buy-back of shares	(0.1)
Movement in Total Return	2.1
Total Return at 30 September 2019	223.8

The investment portfolio's value increased by £3.2 million, which was a return of 5.4 per cent over the opening value and equivalent to an increase in value for shareholders of 2.3 pence per ordinary share.

The unquoted portfolio is now valued at £62.0 million, of which investments made since the November 2015 VCT rule changes comprise 46 per cent and investments made prior to the rule changes comprise 54 per cent. The newer portfolio, which has an average holding period of 1.7 years, is currently valued at £28.5 million (versus a cost of £26.1 million) and the older portfolio, which has an average holding period of 6.4 years, is now valued at £33.5 million compared to a cost of £18.8 million.

The investments since the rule changes are more focused on earlier growth stage opportunities and their funding structures consist mainly of equity instruments, so your Company's future returns are expected to be more reliant on capital gains on realisation.

Chairman's Statement (continued)

The resultant movements in net asset value ("NAV") per ordinary share and the dividends paid are set out in the table below:

	£000	Pence per ordinary share
Net Asset Value		
NAV at 1 April 2019	82,023	74.3
Net underlying increase in investment portfolio	3,237	2.3
Net income after expenses	(125)	(0.1)
Issue/buy-back of shares	21,861	(0.1)
NAV before the payment of dividends	106,996	76.4
Dividends paid	(5,565)	(4.0)
NAV at 30 September 2019	101,431	72.4

An interim dividend of 4.0 pence per ordinary share in respect of the year ending 31 March 2020 was paid on 12 June 2019, bringing the cumulative dividends paid to date to 151.4 pence per ordinary share.

As necessitated by the rule changes your Company continues to make investments in younger and fast-growing businesses, as a result the overall portfolio valuation is expected to become more volatile; the level of annual income is expected to fall and returns will become more reliant on successful exits. Your Board therefore expects to declare one dividend payment annually, with additional dividends declared from realisations where appropriate. This position, which results in a small cost saving compared to declaring two smaller dividends, will be kept under review.

Shareholder Relations

The Board's shareholder communication programme included the 24th shareholder workshop, which was held in conjunction with British Smaller Companies VCT2 plc at Gibson Hall on 20 June 2019. Shareholders saw presentations from investee companies Friska Limited, Matillion Limited and Frescobol Carioca Ltd. The Company's performance, portfolio and outlook were discussed in presentations given by the Investment Adviser, followed by a question and answer session.

I am pleased to note that a large number of shareholders (84 per cent) now receive documents such as the annual report via the website, www.bscfunds.com, rather than by post. This meets the Board's environmental impact objectives as well as reducing printing costs. Your Board continues to encourage all shareholders to take up this option.

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

Regulatory Developments

Advance assurance via HMRC is now sought for investments where there is an element of uncertainty over the application of the new VCT rules. The process of self-assurance via our VCT Status Adviser seems to be working well and it is now common across the VCT industry to assess whether the definition of a Qualifying Investment has been met.

Fundraising

The new share offer launched on 28 November 2018 with British Smaller Companies VCT2 plc closed on 11 February 2019 raising total gross proceeds across both VCTs of £35.0 million. The related allotment of 28,769,702 ordinary shares took place on 1 April 2019 following which your Company received net proceeds of £21.3 million.

Board Composition

Following Edward Buchan's decision to retire from the Board at the Annual General Meeting on 11 September 2019 the Board has completed a successful recruitment process.

Adam Bastin, who joined the Board after the Company's Annual General Meeting on 11 September 2019, is currently vice president of Corporate Development at Arm Limited, where he leads acquisitions and investments on behalf of Arm. He also holds non-executive positions at a number of growing technology businesses. I am delighted to welcome him and I am confident that he will be an excellent addition to the Board.

Jonathan Cartwright, who joined the Board on 1 October 2019, has held a number of executive and non-executive positions in private and public companies and has extensive experience of investment trusts and VCTs. He is currently Chairman of BlackRock Income and Growth Investment Trust plc and is a non-executive director of The Income & Growth VCT plc. Jonathan is an experienced Audit Chairman and has become Chairman of the Audit Committee.

Outlook

The level of political uncertainty remains high ahead of the General Election and there are already signs of some economic weakness. In the meantime the businesses in the portfolio continue to make the appropriate preparations in seeking to mitigate the impact of these uncertainties and the Brexit outcome.

It is pleasing to see such a good return on the investment in Eikon in a short time and shows that there is a strong market for the sale of well-positioned businesses.

I am pleased to note that the investment rate has maintained a good momentum, with a number of high quality and attractive opportunities in the pipeline.

I would like to thank shareholders for their continued support.



Helen Sinclair
Chairman

21 November 2019

Objectives and Strategy

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

The investment strategy of the Company is to invest in UK businesses across a broad range of sectors to create a portfolio 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 businesses will be re-investing their profits for growth and the investments will, therefore, comprise mainly equity instruments.

Investment Review

The Company's portfolio at 30 September 2019 had a value of £62.55 million consisting of £62.04 million (99 per cent) in unquoted investments and £0.51 million (1 per cent) in quoted investments. The largest single investment represents 9.6 per cent of the net asset value.

In the first six months of the financial year the portfolio's underlying value increased by £3.01 million, of which £3.02 million came from the ongoing portfolio with a slight fall from the quoted portfolio.

The most significant upward movements in the period were:

Eikon	£3.36 million
ACC Aviation	£1.56 million
Business Collaborator	£0.61 million
RMS	£0.61 million

The valuation of Eikon reflects the terms of the disposal achieved in October 2019. These gains were offset by companies which saw profits impacted by difficult trading conditions resulting in downward movements:

Macro Art	£0.60 million
Arcus Global	£0.87 million
Frescobol Carioca	£0.90 million
Deep-Secure	£1.19 million

Management changes have been made at both Macro Art and Arcus Global. Although Frescobol has suffered from an element of de-stocking in its wholesale channel its forward order book for next year is substantially higher than for the equivalent period last year. Deep-Secure has experienced a delay in some large orders which are expected to be placed in its new financial year.

The portfolio of listed investment funds was valued at £4.74 million, or 4.7 per cent of net assets (31 March 2019 3.0 per cent of net assets).

New and Follow-on Investments

In the six months to 30 September 2019 the Company has invested £6.65 million into three new investments and £1.13 million into a follow-on investment into Arcus Global Limited.

The new investments comprise:

- > £2.39 million into Tonkotsu Limited;
- > £2.16 million into Wooshii Limited; and
- > £2.10 million into Elucidat Limited.

Realisation of Investments

During the six months to 30 September 2019 the Company generated £5.56 million from disposals and repayments of loans. This included £1.94 million from the full exit of its investment in Leengate Holdings Limited and £2.11 million from a partial realisation of its investment in Matillion Limited.

A detailed analysis of all investments realised in the period to 30 September 2019 can be found in note 6 to this interim report.

Investment Portfolio

The top 10 investments had a combined value of £43.3 million, 69.3 per cent of the total portfolio.



Software, IT
and
Telecommunications



Business
Services



Retail and
Brands



Manufacturing
and Industrial
Services



Healthcare

Fair Value

£31.9m

Fair Value

£20.9m

Fair Value

£5.2m

Fair Value

£3.7m

Fair Value

£0.8m

ACC Aviation Group Limited Reigate



Equity held 27.00%
www.accaviation.com

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

First investment	Nov 14
Current cost (£000)	220
Value at 30 September 2019 (£000)	9,718
Proceeds to date (£000)	1,848
Capital Return to date (£000)	11,566

Eikon Holdco Limited London



Equity held 8.75%
www.eikongroup.co.uk

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

First investment	Mar 18
Current cost (£000)	3,000
Value at 30 September 2019 (£000)	6,498
Proceeds to date (£000)	-
Capital Return to date (£000)	6,498

Matillion Limited Manchester



Equity held 4.97%
www.matillion.com

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

First investment	Nov 16
Current cost (£000)	2,046
Value at 30 September 2019 (£000)	6,118
Proceeds to date (£000)	2,105
Capital Return to date (£000)	8,223

Business Collaborator Limited Reading



Equity held 29.08%
www.groupbc.com

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

First investment	Nov 14
Current cost (£000)	2,010
Value at 30 September 2019 (£000)	4,272
Proceeds to date (£000)	-
Capital Return to date (£000)	4,272

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



IntelligentOffice^{UK}

Equity held 26.65%
www.intelligentofficeuk.com

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

First investment	May 14
Current cost (£000)	2,934
Value at 30 September 2019 (£000)	4,713
Proceeds to date (£000)	-
Capital Return to date (£000)	4,713

Deep-Secure Ltd Malvern



Equity held 15.88%
www.deep-secure.com

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

First investment	Dec 09
Current cost (£000)	1,000
Value at 30 September 2019 (£000)	3,029
Proceeds to date (£000)	-
Capital Return to date (£000)	3,029

Investment Portfolio
(continued)**Tonkotsu Limited**
London

Equity held 18.31%
www.tonkotsu.co.uk

Tonkotsu is a Japanese restaurant chain providing authentic Japanese ramen recipes prepared with fresh British ingredients and hand-made noodles to make good value Japanese food that's accessible to a western palate and audience.

First investment	Jun 19
Current cost (£000)	2,388
Value at 30 September 2019 (£000)	2,388
Proceeds to date (£000)	-
Capital Return to date (£000)	2,388

Wooshii Limited
Manchester

Equity held 12.00%
www.wooshii.com

Wooshii is a disruptive video agency built to capitalise on the increasing demand for fast-turnaround digital content, offering clients the convenience and quality of a traditional video marketing agency paired with a decentralised, global creative network.

First investment	May 19
Current cost (£000)	2,160
Value at 30 September 2019 (£000)	2,160
Proceeds to date (£000)	-
Capital Return to date (£000)	2,160

KeTech Enterprises Limited
Nottingham

Equity held 15.22%
www.ketech.com

KeTech has refined its product range to become a specialist manufacturer and distributor of rail communications systems. Its core products provide real-time information via on-train and on-platform solutions, and are increasingly being specified on some high profile new projects and upgrades.

First investment	Nov 15
Current cost (£000)	1,500
Value at 30 September 2019 (£000)	2,311
Proceeds to date (£000)	500
Capital Return to date (£000)	2,811

Springboard Research Holdings Limited
Milton Keynes

Equity held 19.43%
www.spring-board.info

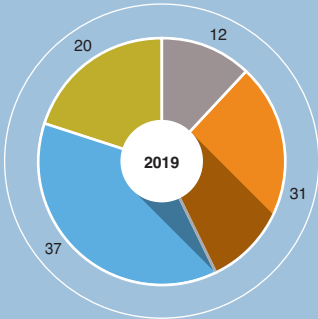
Springboard Research is a leading provider of retail performance monitoring; providing footfall, dwell time and analysis of consumer behaviour. A continually shifting retail environment means that retailers and landlords are seeking new ways of improving their competitive advantage. The company has seen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

First investment	Oct 14
Current cost (£000)	2,736
Value at 30 September 2019 (£000)	2,141
Proceeds to date (£000)	-
Capital Return to date (£000)	2,141

Name of Company	Sector	First Investment	Current cost £000	Value at 30 Sept 2019 £000	Proceeds to date £000	Capital Return to date £000
Total top 10 investments			19,994	43,348	4,453	47,801
Remaining unquoted portfolio						
Elucidat Limited	Software	May 19	2,100	2,100	-	2,100
Arcus Global Limited	Software	May 18	2,925	1,942	-	1,942
Friska Limited	Retail	Jul 17	1,800	1,653	-	1,653
Ncam Technologies Limited	Software	Mar 18	1,902	1,625	-	1,625
Sipsynergy (via Hosted Network Services Limited)	Software	Jun 16	1,770	1,553	-	1,553
RMS Group Holdings Limited	Manufacturing	Jul 07	180	1,430	897	2,327
DisplayPlan Holdings Limited	Business Services	Jan 12	130	1,312	1,521	2,833
Biz2Mobile Limited	Software	Oct 16	1,658	1,193	-	1,193
Wakefield Acoustics (via Malvar Engineering Limited)	Manufacturing	Dec 14	1,080	1,016	75	1,091
Frescobol Carioca Ltd	Retail	Mar 19	1,800	900	-	900
£0.75 million and below	Other investments		9,560	3,967	2,480	6,447
Total unquoted investments			44,899	62,039	9,426	71,465
Quoted portfolio investments £0.75 million and below			223	508	1,920	2,428
Total portfolio			45,122	62,547	11,346	73,893
Full disposals to date			51,867	-	94,123	94,123
Total portfolio			96,989	62,547	105,469	168,016

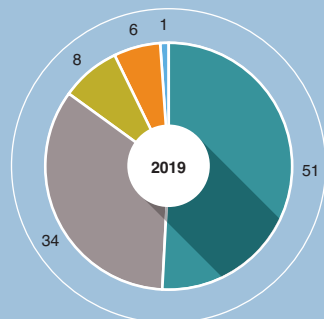
Our Portfolio at a Glance

AGE OF INVESTMENT (%)



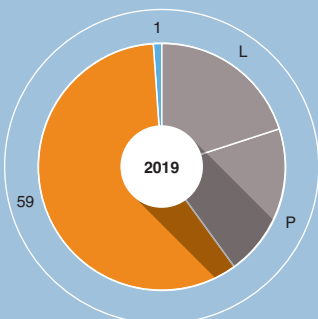
- Less than 1 year
- Between 1 and 3 years
- Between 3 and 5 years
- Greater than 5 years

INDUSTRY SECTOR (%)



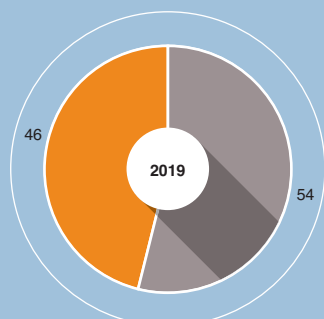
- Software, IT and Telecommunications
- Business Services
- Retail and Brands
- Manufacturing and Industrial
- Healthcare

INVESTMENT INSTRUMENT (%)



- L Loan
 - P Preference shares
 - Ordinary shares
 - Quoted companies
- } 40%

VCT RULES (%)



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

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 2019. 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 2019 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 or loss of British Smaller Companies VCT plc, and that the interim management report includes a true and fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

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

By order of the Board

A handwritten signature in black ink, appearing to read 'Helen Sinclair', written over a faint horizontal line.

Helen Sinclair
Chairman

21 November 2019

Unaudited Statement of Comprehensive Income

for the six months ended 30 September 2019

	Notes	Unaudited 6 months ended 30 September 2019			Unaudited 6 months ended 30 September 2018		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on investments held at fair value	6	-	3,169	3,169	-	3,228	3,228
Income	2	939	-	939	1,180	-	1,180
Gains on disposal of investments	6	-	68	68	-	79	79
Total income		939	3,237	4,176	1,180	3,307	4,487
Administrative expenses:							
Investment Adviser's fee		(198)	(592)	(790)	(215)	(646)	(861)
Other expenses		(274)	-	(274)	(246)	(40)	(286)
		(472)	(592)	(1,064)	(461)	(686)	(1,147)
Profit before taxation		467	2,645	3,112	719	2,621	3,340
Taxation	3	(22)	22	-	(58)	58	-
Profit for the period		445	2,667	3,112	661	2,679	3,340
Total comprehensive income for the period		445	2,667	3,112	661	2,679	3,340
Basic and diluted earnings per ordinary share	5	0.32p	1.90p	2.22p	0.61p	2.45p	3.06p

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 ('IFRS'). 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 2019

	Notes	Unaudited 30 September 2019 £000	Unaudited 30 September 2018 £000	Audited 31 March 2019 £000
ASSETS				
Non-current assets at fair value through profit or loss				
Investments	6	62,547	66,780	57,019
Listed investment funds	6	4,741	2,391	2,494
Financial assets at fair value through profit or loss		67,288	69,171	59,513
Accrued income and other assets		472	1,580	656
		67,760	70,751	60,169
Current assets				
Accrued income and other assets		1,393	534	1,023
Cash on fixed term deposit		6,970	7,001	6,970
Cash and cash equivalents		25,459	7,093	14,030
		33,822	14,628	22,023
LIABILITIES				
Current liabilities				
Trade and other payables		(151)	(161)	(169)
Net current assets		33,671	14,467	21,854
Net assets		101,431	85,218	82,023
Shareholders' equity				
Share capital		14,950	11,517	11,833
Share premium account		22,838	1,052	2,868
Capital reserve		43,053	48,101	49,556
Investment holding gains and losses reserve		17,629	21,600	15,250
Revenue reserve		2,961	2,948	2,516
Total shareholders' equity		101,431	85,218	82,023
Net asset value per ordinary share	7	72.4p	78.6p	74.3p

Signed on behalf of the Board



Helen Sinclair
Chairman

21 November 2019

Unaudited Statement of Changes in Equity

for the six months ended 30 September 2019

	Share capital £000	Share premium account £000	Capital reserve £000	Investment holding gains and losses reserve £000	Revenue reserve £000	Total equity £000
At 31 March 2018	11,342	-	53,422	18,146	3,227	86,137
<i>Revenue return for the period</i>	-	-	-	-	719	719
<i>Capital expenses</i>	-	-	(686)	-	-	(686)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	3,228	-	3,228
<i>Gains on realisation of investments</i>	-	-	79	-	-	79
<i>Taxation</i>	-	-	58	-	(58)	-
Total comprehensive (expense) income for the period	-	-	(549)	3,228	661	3,340
<i>Issue of ordinary share capital</i>	175	1,063	-	-	-	1,238
<i>Issue costs of ordinary shares*</i>	-	(11)	-	-	-	(11)
<i>Purchase of own shares</i>	-	-	(1,164)	-	-	(1,164)
<i>Unclaimed dividends</i>	-	-	6	-	-	6
<i>Dividends</i>	-	-	(3,388)	-	(940)	(4,328)
Total transactions with owners	175	1,052	(4,546)	-	(940)	(4,259)
Realisation of prior year investment holding losses	-	-	(226)	226	-	-
At 30 September 2018	11,517	1,052	48,101	21,600	2,948	85,218
<i>Revenue return for the period</i>	-	-	-	-	375	375
<i>Capital expenses</i>	-	-	(547)	-	-	(547)
<i>Investment holding loss on investments held at fair value</i>	-	-	-	(970)	-	(970)
<i>Gains on realisation of investments</i>	-	-	4,207	-	-	4,207
<i>Taxation</i>	-	-	14	-	(14)	-
Total comprehensive income (expense) for the period	-	-	3,674	(970)	361	3,065
<i>Issue of shares - DRIS</i>	316	1,837	-	-	-	2,153
<i>Issue costs of ordinary shares*</i>	-	(21)	-	-	-	(21)
<i>Purchase of own shares</i>	-	-	(845)	-	-	(845)
<i>Dividends</i>	-	-	(6,754)	-	(793)	(7,547)
Total transactions with owners	316	1,816	(7,599)	-	(793)	(6,260)
Realisation of prior year investment holding gains	-	-	5,380	(5,380)	-	-
At 31 March 2019	11,833	2,868	49,556	15,250	2,516	82,023

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

Unaudited Statement of Changes in Equity (continued)

	Share capital £000	Share premium account £000	Capital reserve £000	Investment holding gains and losses reserve £000	Revenue reserve £000	Total equity £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>Gains on realisation of investments</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

*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 on previous page	43,053	2,961	46,014
Less : Income and proceeds not yet distributable	(245)	(1,318)	(1,563)
: Cancelled share premium not yet distributable	(9,779)	-	(9,779)
Reserves available for distribution*	33,029	1,643	34,672

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

The capital reserve and the revenue reserve are both distributable reserves. These reserves total £46,014,000, representing a decrease of £6,058,000 in the period since 31 March 2019. 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 £46,014,000 shown above, £1,563,000 relates to income and proceeds not yet receivable and £9,779,000 to cancelled share premium which becomes distributable from 1 April 2020 onwards (see below).

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

	£000
1 April 2020	8,288
1 April 2021	1,491
Cancelled share premium not yet distributable	9,779

Unaudited Statement of Cash Flows

for the six months ended 30 September 2019

	Notes	Unaudited 6 months ended 30 September 2019 £000	Unaudited 6 months ended 30 September 2018 £000	Audited year ended 31 March 2019 £000
Profit before taxation		3,112	3,340	6,405
Decrease in trade and other payables		(18)	(523)	(514)
(Increase) decrease in accrued income and other assets		(193)	(220)	635
Gains on disposal of investments		(68)	(79)	(4,286)
Gains on investments held at fair value		(3,169)	(3,228)	(2,258)
Capitalised interest and dividends		-	-	(186)
Net cash outflow from operating activities		(336)	(710)	(204)
Cash flows from investing activities				
Purchase of financial assets at fair value through profit or loss	6	(9,865)	(3,251)	(6,126)
Proceeds from sale of financial assets at fair value through profit or loss	6	5,089	2,032	17,471
Deferred consideration	6	245	1,278	1,374
Cash maturing from fixed term deposit		-	2,000	2,031
Net cash (outflow) inflow from investing activities		(4,531)	2,059	14,750
Cash flows from financing activities				
Issue of ordinary shares		22,073	-	-
Costs of ordinary share issues*		(790)	(11)	(32)
Purchase of own shares		(1,019)	(1,164)	(2,009)
Dividends paid	4	(3,968)	(3,138)	(8,532)
Net cash inflow (outflow) from financing activities		16,296	(4,313)	(10,573)
Net increase (decrease) in cash and cash equivalents		11,429	(2,964)	3,973
Cash and cash equivalents at the beginning of the period		14,030	10,057	10,057
Cash and cash equivalents at the end of the period		25,459	7,093	14,030

* 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 2019 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2019. 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 2019. New standards coming into force during the period have not had a material impact on these interim financial statements.

The financial statements for the year ended 31 March 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS) 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 2019 the Company held cash balances and fixed term deposits with a combined value of £32,429,000. Cash flow projections show the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of share buy-backs and the dividend policy. The directors therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing these half year statements.

Explanatory Notes to the Unaudited
Condensed Financial Statements
(continued)

2 Income

	Unaudited 6 months ended 30 September 2019 £000	Unaudited 6 months ended 30 September 2018 £000
Income from investments		
- Dividends from unquoted companies	337	406
- Dividends from AIM quoted companies	5	9
	342	415
- Interest on loans to unquoted companies	419	652
	761	1,067
Dividends from listed investment funds	25	37
Interest from listed investment funds	14	-
Fixed interest Government securities	-	3
Income from investments held at fair value through profit or loss	800	1,107
Interest on bank deposits	139	73
	939	1,180

3 Taxation

	Unaudited 6 months ended 30 September 2019			Unaudited 6 months ended 30 September 2018		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit before taxation	467	2,645	3,112	719	2,621	3,340
Profit before taxation multiplied by the standard small company rate of corporation tax in UK of 19.0% (2018: 19.0%)	89	502	591	137	498	635
Effect of:						
UK dividends received	(67)	-	(67)	(79)	-	(79)
Non-taxable profits on investments	-	(615)	(615)	-	(628)	(628)
Excess expenses	-	91	91	-	72	72
Tax charge (credit)	22	(22)	-	58	(58)	-

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 2019			Unaudited 6 months ended 30 September 2018			Audited year ended 31 March 2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Special interim dividend for the year ended 31 March 2019 of 7.0p per ordinary share	-	-	-	-	-	-	793	6,754	7,547
Interim dividend for the year ending 31 March 2020 of 4.0p (2019 4.0p) per ordinary share	-	5,565	5,565	940	3,388	4,328	940	3,388	4,328
	-	5,565	5,565	940	3,388	4,328	1,733	10,142	11,875
Shares allotted under DRIS			(1,597)			(1,238)			(3,391)
Unclaimed dividends			-			48			48
Dividends paid in the Statement of Cash Flows			3,968			3,138			8,532

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 £3,112,000 (30 September 2018: £3,340,000) and 139,880,826 (30 September 2018: 109,168,052) 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 £445,000 (30 September 2018: £661,000) and 139,880,826 (30 September 2018: 109,168,052) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The basic and diluted capital earnings per ordinary share is based on the capital profit attributable to equity shareholders of £2,667,000 (30 September 2018: £2,679,000) and 139,880,826 (30 September 2018: 109,168,052) ordinary shares being the weighted average number of ordinary shares in issue during the period.

During the period the Company allotted 2,397,364 new ordinary shares in respect of its dividend reinvestment scheme and 28,769,702 new ordinary shares of 10 pence each under the offer for subscription launched on 28 November 2018, which raised gross proceeds of £22.2 million.

The Company has repurchased 1,506,726 of its own shares in the period and these shares are held in the capital reserve. The total of 9,481,899 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 September 2019, 31 March 2019 and 30 September 2018.

Explanatory Notes to the Unaudited Condensed Financial Statements (continued)

6 Financial Assets at Fair Value through Profit or Loss

IFRS 13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level within the following fair value measurement hierarchy:

- > **Level 1:** quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1 and comprise listed investment funds and AIM quoted investments classified as held at fair value through profit or loss.
- > **Level 2:** the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Company held no such instruments in the current or prior year.
- > **Level 3:** the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as earnings or sales multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The majority of the Company's investments fall into this category.

Each investment is reviewed at least quarterly to ensure that it has not ceased to meet the criteria of the level in which it was included at the beginning of each accounting period. There have been no transfers between these classifications in the period (2018: none).

The change in fair value for the current and previous year is recognised through profit or loss. All items held at fair value through profit or loss were designated as such upon initial recognition.

Valuation of Investments

Initial Measurement: Financial assets are initially measured at fair value. The best estimate of the initial fair value of a financial asset that is either quoted or not quoted in an active market is the transaction price (i.e. cost).

Subsequent Measurement: The International Private Equity and Venture Capital (IPEV) Valuation Guidelines ("the Guidelines") identify six of the most widely used valuation methodologies for unquoted investments. The Guidelines advocate that the best valuation methodologies are those that draw on external, objective market based data in order to derive a fair value.

Full details of the methods used by the Company were set out on page 66 of the financial statements for the year ended 31 March 2019, a copy of which can be found at www.bscfunds.com. Where investments are in quoted stocks, fair value is set at the market price.

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

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

Movements in investments at fair value through profit or loss during the six months to 30 September 2019 are summarised as follows:

IFRS 13 measurement classification	Level 3 Unquoted Investments £000	Level 1 Quoted Equity Investments £000	Total Quoted and unquoted £000	Level 1 Listed Investment Funds £000	Total Investments £000
Opening cost	40,834	984	41,818	2,445	44,263
Opening valuation gain	14,507	694	15,201	49	15,250
Opening fair value at 1 April 2019	55,341	1,678	57,019	2,494	59,513
Additions at cost	7,773	-	7,773	2,092	9,865
Disposal proceeds	(4,100)	(1,206)	(5,306)	-	(5,306)
Net profit on disposal	3	44	47	-	47
Change in fair value	3,022	(8)	3,014	155	3,169
Closing fair value at 30 September 2019	62,039	508	62,547	4,741	67,288
Closing cost	44,899	223	45,122	4,537	49,659
Closing valuation gain	17,140	285	17,425	204	17,629
Closing fair value at 30 September 2019	62,039	508	62,547	4,741	67,288

The net profit on disposal in the table above is £47,000 whereas that shown in the Statement of Comprehensive Income is £68,000. The difference comprises the gain of £21,000 arising on deferred proceeds in respect of assets which have been disposed of and are not included within the investment portfolio at the period end.

Explanatory Notes to the Unaudited Condensed Financial Statements (continued)

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

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

IFRS 13 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to fair value measurement. Each unquoted portfolio company has been reviewed and both downside and upside alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternative the value of the unquoted investments would be £2,987,000 (4.8 per cent) lower. Using the upside alternative the value would be increased by £3,625,000 (5.8 per cent).

Of the Company's financial assets through profit or loss, 92 per cent are in unquoted companies held at fair value (31 March 2019: 93 per cent). The valuation methodology for these investments includes the application of externally produced sales multiples and FTSE® PE multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Those using earnings and sales multiple methodologies include judgements regarding the level of discount applied to that multiple. A 10 per cent decrease in the discount applied would have increased the net assets attributable to the Company's shareholders and the total profit by £4,332,000 (4.3 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 an equal amount.

Of the Company's financial assets through profit or loss, 1 per cent are quoted on AIM (31 March 2019: 3 per cent) and 7 per cent (31 March 2019: 4 per cent) are investment funds listed on the main market of the London Stock Exchange (including FCA authorised and regulated UCITS funds). A 5 per cent increase in stock prices as at 30 September 2019 would have increased the net assets attributable to the Company's shareholders and the total profit for the period by £262,000 (31 March 2019: £209,000). An equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the period by an equal amount.

There have been no individual fair value adjustments downwards during the period that exceeded 5 per cent of the total assets of the Company (31 March 2019: none).

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

	Net proceeds from sale £000	Cost £000	Opening carrying value as at 1 April 2019 £000	Gain (loss) over opening carrying value £000
<i>Unquoted investments</i>				
Harris Hill Holdings Limited	44	64	36	8
The Heritage Window Company Holdco Limited	-	615	-	-
Hutchinson Networks Limited	-	1,320	-	-
Leengate Holdings Limited	1,936	1,074	1,936	-
Matillion Limited	2,105	620	2,121	(16)
Seven Technologies Holdings Limited	15	15	4	11
	4,100	3,708	4,097	3
<i>Quoted investments</i>				
EKF Diagnostics plc	90	59	90	-
Mattioli Woods plc	399	70	412	(13)
Renalytix plc	144	97	108	36
Volex plc	573	535	552	21
	1,206	761	1,162	44
Total from disposals in the period	5,306	4,469	5,259	47
<i>Deferred proceeds:</i>				
Selima Holding Company Ltd	256	-	235	21
Total from quoted and unquoted investments	5,562	4,469	5,494	68

The proceeds in the table above total £5,562,000, whereas that shown in the Statement of Cash Flows including deferred consideration is £5,334,000. The difference comprises proceeds received after 30 September 2019.

Explanatory Notes to the Unaudited
Condensed Financial Statements
(continued)

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 £101,431,000 (30 September 2018 and 31 March 2019: £85,218,000 and £82,023,000 respectively) and 140,018,138 (30 September 2018 and 31 March 2019: 108,352,886 and 110,357,798 respectively) ordinary shares in issue at 30 September 2019.

The 9,481,899 (30 September 2018 and 31 March 2019: 6,814,043 and 7,975,173 respectively) treasury shares have been excluded in calculating the number of ordinary shares in issue at 30 September 2019.

The Company has no potentially dilutive shares and consequently, basic and diluted net asset values are equivalent at 30 September 2019, 31 March 2019 and 30 September 2018.

8 Total Return

Total Return per ordinary share is calculated on cumulative dividends paid of 151.4 pence per ordinary share (30 September 2018: 140.4 pence per ordinary share and 31 March 2019: 147.4 pence per ordinary share) plus the net asset value as calculated in note 7.

9 Directors

The directors of the Company are: Mrs H Sinclair, Mr R Cook, Mr A Bastin and Mr J Cartwright.

10 Other Information

Copies of the interim report can be obtained from the Company's registered office: 5th Floor, Valiant Building, 14 South Parade, Leeds, LS1 5QS or from www.bscfunds.com.

The Company operates a policy of buying its own shares for cancellation as they become available. Shareholders wishing to sell their shares are directed to www.bscfunds.com where the process is explained.

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Rupert Cook
Adam Bastin
Jonathan Cartwright

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