

# **British Smaller Companies VCT2 plc**

## **Unaudited Interim Results and Interim Management Report**

### **for the six months ended 30 June 2024**

British Smaller Companies VCT2 plc (the “Company”) today announces its unaudited interim results for the six months ended 30 June 2024.

#### **HIGHLIGHTS**

- As announced on 20 August 2024, Net Asset Value at 30 June 2024 of 57.50p per share (31 December 2023: 59.30p) following payment of 1.50p dividend during the period
- Total Return decreased by 0.30p to 145.25p per share
- Fully subscribed offer raised net proceeds of £33.5 million
- The Board has declared a second interim dividend of 1.50p per share in respect of the year ending 31 December 2024, which will bring total dividends paid in the current financial year to 3.0p per share, which equates to 5.1 per cent of the opening net asset value per share
- Three new investments and five follow-on investments totalling £7.3 million completed during the period. Subsequent to the period-end, four follow-on investments totalling £5.9 million completed, bringing the total invested this year to £13.2 million
- Realisations generated total proceeds of £6.9 million in the period, a gain of £0.5 million over the opening carrying value and £6.0 million over cost

#### **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 2024.

The first six months of the year has been a period of changeable conditions for the UK economy, with promising indicators, such as lowering rates of inflation and interest rates reaching their peak, tempered by slow rates of growth and political uncertainty in the lead up to July’s general election.

This has been mirrored in the Company’s performance, with promising progress in many portfolio companies balanced against certain company-specific circumstances that have constrained the portfolio’s aggregate performance.

This has resulted in the Company’s Total Return falling by 0.3 pence in the period, a 0.5 per cent decrease on opening net asset value per share; in contrast the FTSE Small Cap rose by 4.7 per cent over the same period. The Company’s net asset value per share now stands at 57.50 pence.

#### **Portfolio Performance**

The period has seen ongoing positive performance from a number of portfolio companies, with many showing strong potential. Of the 26 companies valued on a revenue basis, all but five have grown sales in the last year and 14 have delivered growth of over 30 per cent. While the focus of recent periods has been on capital efficiency, we are seeing opportunities to help our fastest growing businesses to accelerate their progress by providing material further funding. This was seen in the period, with an aggregate £2.7 million invested into five portfolio companies in the period, and a further £5.9 million invested into four more businesses since 30 June.

The 14 companies that delivered growth of over 30 per cent produced aggregate revaluation gains of £4.8 million in the first half of the year.

This has been balanced by aggregate downward revaluations of £5.5 million in the period across four portfolio companies (Matillion, Wooshii, Outpost and Relative Insight), movements which reflect the disciplined approach the Company takes with valuations. The Company's Manager is working closely with these businesses to address their market-specific challenges.

### New Investments

The Company completed three new investments during the first half of the year, with investments into Fuuse (£2.0 million), a provider of Electric Vehicle charge point software; Spotless Water (£1.5 million), a provider of self-service ultra-pure water dispensing stations; and Ohalo (£1.1 million), a data governance software platform.

### Realisations in the period

Realisations of portfolio investments generated total proceeds of £6.9 million in the period.

KeTech, a provider of communications systems, was split into its two component parts (Rail and Defence) in 2023 to maximise shareholder value. The Defence business was subsequently sold in January 2024, generating proceeds of £1.5 million. To date, the Company has realised proceeds of £4.1 million from its KeTech investment, a 2.0x return on cost, while still retaining its investment in the Rail business, which at the period-end was valued at £1.1 million.

In January 2024 the Company realised part of its investment in Arcus, generating proceeds of £0.2 million, while still retaining its investment in the remaining restructured business which at the period-end was valued at £0.7 million. This combined £0.8 million of value to date equates to 0.4x cost.

In February 2024, the Company sold its investment in Displayplan for £4.8 million. Total proceeds received over the life of the investment are £6.7 million, an excellent 9.6x return on the Company's cost. There is the potential for further deferred proceeds in due course with £0.4 million of deferred proceeds recognised at the period-end.

### Financial Results

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 2023		59.30		135,616
Net fall from investment portfolio	(0.20)		(645)	
Net operating income	0.10		172	
Total Return in period		(0.10)		(473)
Issue/buy-back of new shares*		(0.20)		32,021
NAV before the payment of dividends		<b>59.00</b>		<b>167,164</b>
Dividends paid		(1.50)		(4,270)
NAV at 30 June 2024		<b>57.50</b>		<b>162,894</b>
Cumulative dividends paid		87.75		
<b>Total Return:</b>	<b>At 30 June 2024</b>	<b>145.25</b>		
	At 31 December 2023	145.55		

\* the first allotment on 30 January 2024 from the 2023/24 fundraising reduces Total Return per ordinary share as the allotment was priced at the 30 September 2023 NAV, being the latest published NAV at the allotment date.

## **Dividends**

An interim dividend of 1.5 pence per ordinary share for the year ending 31 December 2024 was paid on 28 June 2024, bringing the cumulative dividends paid to date to 87.75 pence per ordinary share.

The Board has proposed a second interim dividend of 1.5 pence per ordinary share for the year ending 31 December 2024 which, when combined with the above dividend, will bring total dividends paid in the current financial year to 3.0 pence per ordinary share (2023: 5.25 pence per ordinary share). The dividend will be paid on 1 November 2024 to shareholders on the register on 4 October 2024.

## **Shareholder Relations**

The shareholder workshop held on 20 June 2024 was very well attended. Attendees heard from Steve Frost, CEO of Workbuzz, and Scott Morris, Managing Director of Displayplan.

Documents such as the annual report are now received electronically by 84 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.

## **Board Changes**

On 13 June 2024, Peter Waller retired as Chair and stood down from the Board. The Board and the Manager thank Peter for all of his efforts and valuable contributions over the course of his tenure.

Also on 13 June 2024, Arif Ahmed joined the Board. Arif is a serial entrepreneur and private equity investor with particular expertise in healthcare and technology.

## **Fundraising**

In the period the Company allotted shares from its fully subscribed 2023/24 share offer across two allotments, on 30 January and 3 April 2024. Gross proceeds of £34.5 million were raised by the Company, resulting in the allotment of 57,199,459 ordinary shares.

On 20 August 2024, the Company announced its intention to launch a new joint offer for subscription for the tax year 2024/25 later this year, alongside British Smaller Companies VCT plc (together the "Companies"). As announced on 10 September 2024, the current intention is for the Companies, in aggregate, to raise up to £50 million, with over-allotment facilities of up to a further £25 million in aggregate, before issue costs. Any election to make use of their over-allotment facility will be subject to the decision of the individual boards of the Companies at the relevant time.

A prospectus with full details of the proposed Offer is expected to be published in mid-October, with applications expected to open one week following publication. Once published, the prospectus will be available from the Companies' website, [www.bscfunds.com](http://www.bscfunds.com).

## **Outlook**

The UK's economy is showing signs of promise, with CPI inflation at the Bank of England's target of 2.0 per cent and August bringing a reduction in interest rates from their 16-year high. There is also the expectation of greater political stability following July's general election and a growth-focused government agenda. However, globally uncertainty remains, with some market turbulence driven by concerns over the US economy, as well as the outcome of the US election in November.

In this environment, the Company continues to proceed cautiously, helping the portfolio's most promising and fastest growing assets to accelerate their growth; as well as supporting those companies currently working through challenges.

There continues to be a promising pipeline of new opportunities and it is expected that further new investments will be added to the portfolio in the coming months.

I thank shareholders for their continued support.

**Barbara Anderson**

Chair

## **Objectives and Strategy**

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

### **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 VCT Regulations.

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 buy-backs.

Unquoted investments are structured using various investment instruments, including ordinary shares, preference shares, convertible securities and very occasionally loan stock, to achieve an appropriate balance of income and capital growth, having regard to the VCT Regulations. 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 2024 the Company's portfolio was valued at £96.2 million. The top ten investments represent 36.7 per cent of the net asset value with the largest representing 12.5 per cent of the net asset value.

The movements in the investment portfolio are set out below:

**Table A**

### Investment Portfolio

	Portfolio £million
Opening fair value at 1 January 2024	96.4
Additions	7.3
Disposal proceeds excluding deferred consideration	(6.8)
Net revaluation arising from the investment portfolio	(0.7)
<b>Closing fair value at 30 June 2024</b>	<b>96.2</b>

The Company's portfolio value decreased by £0.7 million in the period, of which £1.1 million arose from the residual portfolio, offset by a gain of £0.4 million from realisations.

There were upward revaluations from Unbiased, Teraview, Vypr, Arcus Global and ACC Aviation, offset by decreases from Matillion, Wooshii, Outpost and Relative Insight.

### Realisation of Investments

During the six months to 30 June 2024, the company generated £6.9 million from disposals, including deferred consideration, a gain of £0.5 million over the opening carrying value and a gain of £6.0 million on cost. Further details are given on page 3 of the interim report and in note 6.

## Investments

During the six months ended 30 June 2024, the Company completed eight investments, totalling £7.3 million. This comprised three new investments, totalling £4.6 million, and five follow-on investments, totalling £2.7 million. The breakdown of these investments, and those completed after the period end, is shown below:

			Investments made £million	
Company	Description	New	Follow-on	Total
Fuuse	Electric vehicle charge point management system	2.0	-	2.0
Spotless Water	Ultra-pure water distribution network	1.5	-	1.5
Ohalo	Unstructured data governance platform	1.1	-	1.1
Plandek	Software development analytics platform	-	1.0	1.0
Outpost	Visual effects for film and TV	-	0.8	0.8
Summize	Digital contracting software	-	0.5	0.5
Relative Insight	AI-based text data analytics platform	-	0.3	0.3
SharpCloud	B2B	-	0.1	0.1
<b>Invested in the period</b>		<b>4.6</b>	<b>2.7</b>	<b>7.3</b>
Xapien	Automated research on individuals and companies	-	2.9	2.9
Quality Clouds	B2B software	-	1.3	1.3
AutomatePro	Automated software testing	-	1.2	1.2
SharpCloud	B2B	-	0.5	0.5
<b>Invested in the year to date</b>		<b>4.6</b>	<b>8.6</b>	<b>13.2</b>

## Cash Deposits and other Liquid Funds

The Company is taking an active approach to cash management, while ensuring its primary aim of capital preservation is met. A portion of the Company's liquid assets are held across a diversified range of Triple-A rated money market funds, managed by global institutions, while the balance is held as readily accessible cash, all of which is held at Tier 1 Financial Institutions (A2 rated or above). £1.4 million of income was earned from money market funds and bank deposits during the period. At 30 June 2024, the Company was achieving a weighted average return on liquid assets of 4.7 per cent.

## Portfolio

The top 10 investments had a combined value of £59.7 million, 62.1 per cent of the total portfolio.

Name of Company	Sector	First investment	Amount invested £000	Value at 30 June 2024 £000	Recognised income/ proceeds to date £000	Return to date* £000
Matillion Limited	Data	Nov 16	1,778	20,337	5,946	26,283
Unbiased EC1 Limited	Tech-enabled Services	Dec 19	3,731	9,260	-	9,260
Outpost VFX Limited	New Media	Feb 21	3,833	5,671	40	5,711
Elucidat Ltd	Application Software	May 19	2,840	4,070	281	4,351
Vypr Validation Technologies Limited	Tech-enabled Services	Jan 21	2,200	3,963	-	3,963
Force24 Ltd	Application Software	Nov 20	2,600	3,854	42	3,896
SharpCloud Software Limited	Data	Oct 19	2,385	3,711	-	3,711
ACC Aviation Group Limited	Business Services	Nov 14	1,379	3,547	3,525	7,072
Plandek Limited	Cloud & DevOps	Oct 22	2,360	2,696	-	2,696
Quality Clouds Limited	Data	May 22	2,610	2,619	-	2,619
Summize Limited	Application Software	Oct 22	1,700	2,493	-	2,493
DrDoctor (via ICNH Ltd)	Application Software	Feb 23	2,377	2,377	-	2,377
Workbuzz Analytics Ltd	Application Software	Jun 23	1,718	2,372	-	2,372
Traveltek Group Holdings Limited	Application Software	Oct 16	1,163	2,598	675	3,273
AutomatePro Limited	Cloud & DevOps	Dec 22	1,483	2,344	-	2,344
Tonkotsu Limited	Retail & Brands	Jun 19	1,592	2,227	-	2,227
Fuuse Ltd	Application Software	May 24	2,000	2,000	-	2,000
GEEIQ (via Checkpoint GG Limited) Data	Data	Sep 23	1,572	2,000	-	2,000
Wooshii Limited	New Media	May 19	3,096	1,797	487	2,284
Vuealta Holdings Limited	Tech-enabled Services	Sep 21	2,386	1,702	3,088	4,790
Spotless Water Limited	Business Services	Jun 24	1,456	1,456	-	1,456

Xapien (via Digital Insight Technologies Ltd)	Application Software	Mar 23	1,160	1,412	-	1,412
Frescobol Carioca Ltd	Retail & Brands	Mar 19	1,200	1,376	-	1,376
Biorelate Limited	Application Software	Nov 22	1,040	1,138	-	1,138
Ohalo Limited	Data	Jun 24	1,110	1,110	-	1,110
KeTech Technology Holdings Limited	Tech-enabled Services	Nov 15	2,000	1,110	4,059	5,169
Teraview Limited	Advanced Manufacturing	Dec 11	377	1,100	-	1,100
Panintelligence (via Paninsight Limited)	Data	Nov 19	1,000	1,044	-	1,044
Relative Insight Limited	Tech-enabled Services	Mar 22	2,800	992	-	992
£0.75 million and below			13,465	3,802	4,792	8,594
<b>Total investments</b>			<b>70,411</b>	<b>96,178</b>	<b>22,935</b>	<b>119,113</b>
Full disposals to date			50,285	-	86,924	86,924
<b>Total portfolio</b>			<b>120,696</b>	<b>96,178</b>	<b>109,859</b>	<b>206,037</b>

\* Represents recognised income and proceeds received to date plus the unrealised valuation at 30 June 2024

## THE 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 2023. 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 Performance;
- > Strategy;
- > Legislative & Regulatory;
- > Operational;
- > Cyber Security and Information Technology; and
- > Liquidity.

Full details of the principal risks can be found in the financial statements for the year ended 31 December 2023 on pages 32 to 34, a copy of which is available at [www.bscfunds.com](http://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

**Barbara Anderson**

Chair

# Unaudited Statement of Comprehensive Income

for the six months ended 30 June 2024

	Notes	Unaudited 6 months ended 30 June 2024			Unaudited 6 months ended 30 June 2023		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
(Loss) gain on investments held at fair value	6	-	(1,104)	(1,104)	-	2,108	2,108
Gain (loss) on disposal of investments	6	-	459	459	-	(73)	(73)
Income	2	1,701	-	1,701	720	-	720
<b>Total income</b>		<b>1,701</b>	<b>(645)</b>	<b>1,056</b>	<b>720</b>	<b>2,035</b>	<b>2,755</b>
Administrative expenses:							
<i>Manager's fee</i>		<b>(296)</b>	<b>(890)</b>	<b>(1,186)</b>	<b>(250)</b>	<b>(751)</b>	<b>(1,001)</b>
<i>Incentive fee</i>		-	-	-	-	(1,180)	(1,180)
<i>Other expenses</i>		<b>(343)</b>	-	<b>(343)</b>	<b>(321)</b>	-	<b>(321)</b>
		<b>(639)</b>	<b>(890)</b>	<b>(1,529)</b>	<b>(571)</b>	<b>(1,931)</b>	<b>(2,502)</b>
<b>Profit (loss) before taxation</b>		<b>1,062</b>	<b>(1,535)</b>	<b>(473)</b>	<b>149</b>	<b>104</b>	<b>253</b>
Taxation	3	-	-	-	-	-	-
<b>Profit (loss) for the period</b>		<b>1,062</b>	<b>(1,535)</b>	<b>(473)</b>	<b>149</b>	<b>104</b>	<b>253</b>
<b>Total comprehensive income (expense) for the period</b>		<b>1,062</b>	<b>(1,535)</b>	<b>(473)</b>	<b>149</b>	<b>104</b>	<b>253</b>
<b>Basic and diluted earnings (loss) per ordinary share</b>	5	<b>0.40p</b>	<b>(0.58p)</b>	<b>(0.18p)</b>	<b>0.07p</b>	<b>0.05p</b>	<b>0.12p</b>

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 2024

	Notes	Unaudited 30 June 2024 £000	Unaudited 30 June 2023 £000	Audited 31 December 2023 £000
<b>ASSETS</b>				
<b>Non-current assets at fair value through profit or loss</b>				
Investments	6	97,716	89,174	97,702
Listed investment funds		-	1,746	-
Financial assets at fair value through profit or loss	6	97,716	90,920	97,702
Accrued income and other assets		-	1,403	210
		97,716	92,323	97,912
<b>Current assets</b>				
Accrued income and other assets		936	148	475
Current asset investments		38,000	21,750	23,500
Cash and cash equivalents		26,440	20,134	15,571
		65,376	42,032	39,546
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		(198)	(148)	(1,842)
Provisions for liabilities and charges	7	-	(1,180)	-
<b>Net current assets</b>		<b>65,178</b>	<b>40,704</b>	<b>37,704</b>
<b>Net assets</b>		<b>162,894</b>	<b>133,027</b>	<b>135,616</b>
<b>Shareholders' equity</b>				
Share capital		30,855	24,903	25,014
Share premium account		53,681	24,899	25,386
Capital redemption reserve		88	88	88
Other reserve		2	2	2
Merger reserve		217	5,525	5,525
Capital reserve		42,035	41,959	37,458
Investment holding gains and losses reserve		33,639	34,446	40,245
Revenue reserve		2,377	1,205	1,898
<b>Total shareholders' equity</b>		<b>162,894</b>	<b>133,027</b>	<b>135,616</b>
<b>Net asset value per ordinary share</b>	8	<b>57.50p</b>	57.95p	59.30p

Signed on behalf of the Board

Barbara Anderson - Chair

# Unaudited Statement of Changes in Equity

for the six months ended 30 June 2024

	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
<b>At 31 December 2022</b>	<b>20,014</b>	<b>858</b>	<b>5,615</b>	<b>52,263</b>	<b>31,762</b>	<b>1,357</b>	<b>111,869</b>
<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	24,077	-	-	-	-	28,713
<i>Issue of shares - DRIS</i>	253	1,201	-	-	-	-	1,454
<i>Issue costs</i>	-	(1,237)	-	-	-	-	(1,237)
<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	-	-
<b>At 30 June 2023</b>	<b>24,903</b>	<b>24,899</b>	<b>5,615</b>	<b>41,959</b>	<b>34,446</b>	<b>1,205</b>	<b>133,027</b>
<i>Revenue return for the period</i>	-	-	-	-	-	693	693
<i>Expenses charged to capital</i>	-	-	-	(1,281)	-	-	(1,281)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	5,935	-	5,935
<i>Realisation of investments in the period</i>	-	-	-	1,091	-	-	1,091
Total comprehensive (expense) income for the period	-	-	-	(190)	5,935	693	6,438
<i>Issue of shares - DRIS</i>	111	519	-	-	-	-	630
<i>Issue costs</i>	-	(32)	-	-	-	-	(32)
<i>Purchase of own shares</i>	-	-	-	(1,019)	-	-	(1,019)
<i>Dividends</i>	-	-	-	(3,428)	-	-	(3,428)
Total transactions with owners	111	487	-	(4,447)	-	-	(3,849)
Realisation of prior year investment holding gains	-	-	-	136	(136)	-	-
<b>At 31 December 2023</b>	<b>25,014</b>	<b>25,386</b>	<b>5,615</b>	<b>37,458</b>	<b>40,245</b>	<b>1,898</b>	<b>135,616</b>
<i>Revenue return for the period</i>	-	-	-	-	-	1,062	1,062

<i>Expenses charged to capital</i>	-	-	-	(890)	-	-	(890)
<i>Investment holding loss on investments held at fair value</i>	-	-	-	-	(1,104)	-	(1,104)
<i>Realisation of investments in the period</i>	-	-	-	459	-	-	459
Total comprehensive (expense) income for the period	-	-	-	(431)	(1,104)	1,062	(473)
<i>Issue of share capital</i>	5,720	28,814	-				34,534
<i>Issue of shares - DRIS</i>	121	577	-	-	-	-	698
<i>Issue costs</i>	-	(1,096)	-	-	-	-	(1,096)
<i>Purchase of own shares</i>	-	-	-	(2,115)	-	-	(2,115)
<i>Dividends</i>	-	-	-	(3,687)	-	(583)	(4,270)
Total transactions with owners	5,841	28,295	-	(5,802)	-	(583)	27,751
Transfer between reserves	-	-	(5,308)	5,308	-	-	-
Realisation of prior year investment holding gains	-	-	-	5,502	(5,502)	-	-
<b>At 30 June 2024</b>	<b>30,855</b>	<b>53,681</b>	<b>307</b>	<b>42,035</b>	<b>33,639</b>	<b>2,377</b>	<b>162,894</b>

\* 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
<b>Distributable reserves as above</b>	<b>42,035</b>	<b>2,377</b>	<b>44,412</b>
Cancelled share premium not yet distributable	(27,580)	-	(27,580)
Income/proceeds not yet distributable	(589)	(1,578)	(2,167)
<b>Reserves available for distribution*</b>	<b>13,866</b>	<b>799</b>	<b>14,665</b>

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

The capital reserve and the revenue reserve are both distributable reserves. These reserves total £44,412,000, representing an increase of £5,056,000 in the period since 31 December 2023. 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 £44,412,000 shown above, £2,167,000 relates to income/proceeds not yet receivable.

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

	£000
1 January 2025	7,387
1 January 2026	20,193
<b>Cancelled share premium account not yet distributable</b>	<b>27,580</b>

## Unaudited Statement of Cash Flows

for the six months ended 30 June 2024

	Notes	Unaudited 6 months ended 30 June 2024 £000	Unaudited 6 months ended 30 June 2023 £000	Audited year ended 31 December 2023 £000
(Loss) profit before taxation		(473)	253	6,691
Increase in provisions for liabilities and charges		-	1,080	-
(Decrease) increase in trade and other payables		(1,644)	(573)	1,021
Increase in accrued income and other assets		(178)	(118)	(472)
(Gain) loss on disposal of investments		(459)	73	(1,018)
Losses (gains) on investments held at fair value		1,104	(2,108)	(8,043)
<b>Net cash outflow from operating activities</b>		<b>(1,650)</b>	<b>(1,393)</b>	<b>(1,821)</b>
<b>Cash flows from (used in) investing activities</b>				
Cash maturing from fixed term deposits		-	1,988	1,988
Purchase of financial assets at fair value through profit or loss	6	(7,257)	(7,817)	(10,696)
Proceeds from sale of financial assets at fair value through profit or loss	6	6,482	1,715	6,031
Deferred consideration	6	43	-	27
<b>Net cash outflow from investing activities</b>		<b>(732)</b>	<b>(4,114)</b>	<b>(2,650)</b>
<b>Cash flows from (used in) financing activities</b>				
Issue of ordinary shares		34,534	28,713	28,713
Costs of ordinary share issues**		(1,096)	(1,237)	(1,268)
Purchase of own shares		(2,115)	(497)	(1,516)
Dividends paid	4	(3,572)	(6,074)	(8,873)
<b>Net cash inflow from financing activities</b>		<b>27,751</b>	<b>20,905</b>	<b>17,056</b>
<b>Net increase in cash and cash equivalents</b>		<b>25,369</b>	<b>15,398</b>	<b>12,585</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>39,071</b>	<b>26,486</b>	<b>26,486</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>64,440</b>	<b>41,884</b>	<b>39,071</b>

**Cash and cash equivalents comprise**

Money market funds	<b>38,000</b>	21,750	23,500
Cash at bank	<b>26,440</b>	20,134	15,571
<b>Cash and cash equivalents at the end of the period</b>	<b>64,440</b>	41,884	39,071

\* includes net income from:

Dividends	-	139	341
Interest	<b>1,448</b>	418	2,899

\*\* 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 2023 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2023. 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 2023. 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 2023 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 (International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS")) and interpretations in force at the reporting date. The Company has performed a review of its existing accounting policies and updated where relevant. Other new standards coming into force during the year and future standards that come into effect after the year-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 2024 the Company held cash balances and money market funds with a combined value of £64,440,000. 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 2023 the Company's costs and discretionary expenditures were:

	£'000
Administrative expenses (before incentive fee)	2,816
Share buybacks	1,516
Dividends (before DRIS)	10,956
<b>Total</b>	<b>15,288</b>

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 2024 £000	Unaudited 6 months ended 30 June 2023 £000
Income from investments		
- Interest on loans to unquoted companies	71	71
- Dividends from unquoted companies	213	153
Income from unquoted portfolio	284	224
Income from listed investment funds	-	29
Income from investments held at fair value through profit or loss	284	253
Interest on bank deposits/money market funds	1,417	467
	<b>1,701</b>	<b>720</b>



### 3 Taxation

	Unaudited 6 months ended 30 June 2024			Unaudited 6 months ended 30 June 2023		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Profit (loss) before taxation	1,062	(1,535)	(473)	149	104	253
Profit (loss) before taxation multiplied by the standard small company rate of corporation tax in UK of 19.0% (2023: 19.0%)	202	(292)	(90)	28	20	48
Effect of:						
UK dividends received	(40)	-	(40)	(29)	-	(29)
Non-taxable losses (profits) on investments	-	123	123	-	(387)	(387)
Deferred tax not recognised	(162)	169	7	1	367	368
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 30 June 2024			Unaudited 6 months ended 30 June 2023		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
First interim dividend for the year ending 31 December 2024 of 1.5p (2023: 2.25p) per ordinary share	583	3,687	4,270	-	4,097	4,097
Second interim dividend for the year ended 31 December 2023 of 1.5p per ordinary share	-	-	-	301	3,130	3,431
	583	3,687	4,270	301	7,227	7,528
Shares allotted under DRIS			(698)			(1,454)
Dividends paid in the Statement of Cash Flows			3,572			6,074

	Audited year ended 31 December 2023		
	Revenue	Capital	Total
	£000	£000	£000
First interim dividend for the year ending 31 December 2023 of 2.25p per ordinary share	-	4,097	4,097
Second interim dividend for the year ended 31 December 2023 of 1.5p per ordinary share	301	3,130	3,431
Third interim dividend for the year ended 31 December 2023 of 1.5p per ordinary share	-	3,428	3,428
	301	10,655	10,956
Shares allotted under DRIS			(2,083)
Dividends paid in the Statement of Cash Flows			8,873

The first interim dividend of 1.5 pence per ordinary share was paid on 28 June 2024 to shareholders on the register as at 31 May 2024.

A second interim dividend of 1.5p per ordinary share amounting to approximately £4.2 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 (Loss) Earnings per Ordinary Share

The basic and diluted (loss) earnings per ordinary share is based on the loss after tax attributable to equity shareholders of £473,000 (30 June 2023: profit of £253,000) and 262,540,942 (30 June 2023: 204,822,093) 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 £1,062,000 (30 June 2023: £149,000) and 262,540,942 (30 June 2023: 204,822,093) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The basic and diluted capital (loss) earnings per ordinary share is based on the capital loss attributable to equity shareholders of £1,535,000 (30 June 2023: profit of £104,000) and 262,540,942 (30 June 2023: 204,822,093) ordinary shares being the weighted average number of ordinary shares in issue during the period.

During the period the Company allotted 57,199,459 new ordinary shares from the fundraising, and 1,208,910 new ordinary shares in respect of its DRIS.

The Company has also repurchased 3,766,651 of its own shares in the period and these shares are held in the capital reserve. The total of 25,150,419 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 2024, 31 December 2023 and 30 June 2023

## 6 Financial Assets at Fair Value through Profit or Loss

	30 June 2024	30 June 2023
	£000	£000
Investment portfolio	96,178	89,174
Accrued income and other assets*	1,538	-
<b>Financial assets at fair value through profit and loss</b>	<b>97,716</b>	<b>89,174</b>

\* Relates to accrued income which is not past due which has been disclosed as part of the investment value. Prior year income was not included as it was not material.

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 classified as held at fair value through profit or loss. The Company held no such investments at 30 June 2024.

> 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. All 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 (2023: 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 ("IPEV") 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 2023, a copy of which can be found at [www.bscfunds.com](http://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 2024 are summarised as follows:

IFRS 13 measurement classification	Level 3 Unquoted Investments £000
Opening cost	56,209
Opening valuation gain	40,218
<b>Opening fair value at 1 January 2024</b>	<b>96,427</b>
Additions at cost	7,257
Disposal proceeds	(6,850)
Net profit on disposals*	448
Change in fair value	(1,217)
Foreign exchange gain	113
<b>Closing fair value at 30 June 2024</b>	<b>96,178</b>
Closing cost	62,567
Closing valuation gain	33,611
<b>Closing fair value at 30 June 2024</b>	<b>96,178</b>

\* the net profit on disposal in the table above is £448,000 whereas that shown in the Statement of Comprehensive Income is £459,000. The difference comprises the change in the value of deferred proceeds totalling £11,000 in respect of assets that have been disposed of and are not included in the investment portfolio at 1 January 2024.

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 the fair value measurement. Each unquoted portfolio company has been reviewed in order to identify the sensitivity of the valuation methodology to using alternative assumptions, which still fall within the IPEV Guidelines. Where discounts have been applied (for example to revenue/earnings levels or multiple ratios) alternatives have been considered. For each unquoted investment, two scenarios have been modelled, principally a 5 per cent change to discount rates, although other factors were considered on an individual portfolio company basis: more prudent assumptions (downside case) and more optimistic assumptions (upside case). Applying the downside case, the value of the unquoted investments would be £4.0 million or 4.1 per cent lower (2023: £4.3 million or 4.8 per cent lower). Using the upside case, the value would be increased by £4.1 million or 4.3 per cent (2023: £4.4 million or 5.0 per cent).

All 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.

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 2023: none).

The following disposals took place during the period.

	Net proceeds from sale	Cost	Opening carrying value as at 1 January 2024	Profit over opening carrying value
	£000	£000	£000	£000
<b>Unquoted investments</b>				
DisplayPlan Holdings Limited	5,189	70	4,741	448
KeTech Holdings Limited*	1,461	-	1,461	-
Arcus Global Limited*	200	830	200	-
<b>Total from portfolio</b>	<b>6,850</b>	<b>900</b>	<b>6,402</b>	<b>448</b>
Ncam Technologies Limited	11	-	-	11
<b>Deferred consideration</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>11</b>
<b>Total from investment portfolio</b>	<b>6,861</b>	<b>900</b>	<b>6,402</b>	<b>459</b>

\*partial disposal

The total from disposals in the table above is £6,861,000 whereas that shown in the Statement of Cash Flows is £6,525,000. 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 2024 is 141.295 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 2024 the total of cumulative cash dividends paid and the mid-market price was 142.750 pence per ordinary share, with the Hurdle exceeded due to share price growth in March 2024 following the publication of December 2023 accounts and the gains associated with this earlier period.

No accrual for incentive fee has been recognised in the period as the Manager believes that it is not probable that a fee will arise at year-end due to the downward movement of the Company's net asset value per share in the year to date. If the Company's total of cumulative cash dividends paid and the mid-market price was 142.750 pence per ordinary share at the year-end date, a fee of £825,000 would be due.

## **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 £162,894,000 (30 June 2023 and 31 December 2023: £133,027,000 and £135,616,000 respectively) and 283,400,383 (30 June 2023 and 31 December 2023: 229,484,783 and 228,758,665 respectively) ordinary shares in issue at 30 June 2024.

Treasury shares have been excluded in calculating the number of ordinary shares in issue at 30 June 2024.

The Company has no potentially dilutive shares and consequently, basic and diluted net asset values are equivalent at 30 June 2024, 31 December 2023 and 30 June 2023.

## **9 Total Return**

Total Return per ordinary share is calculated on cumulative dividends paid of 87.75 pence per ordinary share (30 June 2023: 84.75 pence per ordinary share and 31 December 2023: 86.25 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 £5.9 million into portfolio companies Xapien, AutomatePro, Quality Clouds and SharpCloud.

## **11 Directors**

The directors of the Company are Barbara Anderson, Arif Ahmed and Roger McDowell.

## **12 Other Information**

Copies of the interim report can be obtained from the Company's registered office: 4th Floor, 2 Bond Court, Leeds, LS1 2JZ or from [www.bscfunds.com](http://www.bscfunds.com).

## **13 Interim Dividend for the year ending 31 December 2024**

The directors are pleased to announce the payment of a second interim dividend for the year ending 31 December 2024 of 1.5 pence per ordinary share ("Interim Dividend").

The Interim Dividend will be paid on 1 November 2024 to those shareholders on the Company's register at the close of business on 4 October 2024. The ex-dividend date will be 3 October 2024.

## **14 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 18 October 2024.

## **15 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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