

**BRITISH SMALLER COMPANIES VCT PLC**  
**UNAUDITED INTERIM RESULTS AND INTERIM MANAGEMENT STATEMENT**  
**For the 6 months ended 30 September 2012**

British Smaller Companies VCT plc ("the Company") today announces its unaudited interim results for the six months to 30 September 2012.

**CHAIRMAN'S STATEMENT**

During the period the Company paid a final dividend of 3.0 pence per Ordinary share in respect of the year to 31 March 2012. It also completed a successful Offer for Subscription, raising proceeds of £2.5 million, and made new investments of £4.7 million.

**Results**

Following the strong performance of the past few years the Total Return at 30 September 2012, calculated by reference to the Net Asset Value per Ordinary share and the cumulative dividends paid, decreased by 2.4 pence to 176.4 pence per Ordinary share compared to 178.8 pence at 31 March 2012.

This decrease is primarily due to the net downward movement in portfolio valuations as a result of two factors:

- Firstly quoted markets have been impacted by the continuing difficulties in the UK economy which has resulted in the value of quoted holdings falling by 16% over the six months. This fall in quoted markets has had a knock-on impact on the valuation methodology applied to value the unquoted holdings.
- Secondly the largest investment in the unquoted portfolio, Go Outdoors Limited, has seen a fall in value of £1.77 million over the six months since 31 March 2012 due to a marked downturn in the retail sector, which has masked a gain of £1.19 million across the rest of the unquoted portfolio. At 30 September 2012 the investment in Go Outdoors Limited represented just 10.1% of total net assets so the historic portfolio exposure to this single investment has reduced. However the Fund Manager, YFM Private Equity Limited, believes that there remains significant potential for value growth.

A dividend of 3.0 pence per Ordinary share was paid on 17 August 2012 resulting in a Net Asset Value of 94.2 pence per Ordinary share at 30 September 2012, a fall of 5.4 pence since 31 March 2012. Cumulative dividends represent 82.2 pence per Ordinary share (31 March 2012: 79.2 pence per Ordinary share). Other movements in Net Asset Value per Ordinary share are as follows:

|                                                        | Pence per Ordinary share |
|--------------------------------------------------------|--------------------------|
| 31 March 2012                                          | 99.6                     |
| Disposal of investments                                | 0.5                      |
| Net decrease in value                                  | (2.8)                    |
|                                                        | <b>97.3</b>              |
| Issue of shares                                        | (0.1)                    |
| Dividends paid in period                               | (3.0)                    |
| Dividend re-investment scheme / purchase of own shares | -                        |
| 30 September 2012                                      | 94.2                     |

**Investments**

A total of £5.04m has been invested in the six months to 30 September 2012, with three new investments (totalling £4.69 million) and three follow-on investments (totalling £0.35 million). This compares to investments totalling £0.86 million in the same period of 2011.

The three new investments were:

- £2.52 million invested into Seven Technologies (Holdings) Limited in April 2012 to support the further growth plans of this Northern Ireland based engineering business specialising in developing and manufacturing bespoke electronics and communications applications in inhospitable environments.

- £1.00 million invested during April 2012 into Fairlight Bridge Limited, an acquisition vehicle led by an experienced manager Peter Bridge and focussed on underperforming and turnaround situations in the Midlands area.
- £1.17 million invested during August 2012 to fund the buy-out of Insider Technologies (Holdings) limited, an established provider of monitoring and scheduling software to the financial services and national security sectors, aiming to rollout new products in the UK and overseas.

The two main follow-on investments were:

- £0.24 million invested into Vianet Group plc during July 2012. The management team of this AiM-quoted remote monitoring solution supplier has successfully diversified activities and now sees good opportunities for medium term profit growth.
- £0.10 million invested into Hargreaves Services plc during August 2012. The share price of this AiM-quoted supplier and logistics provider to the solid fuel and energy sector was significantly impacted by an operational issue but is expected to recover over the next two years.

### Portfolio Review

Overall the portfolio saw a fall in value of £1.18 million (5%) over the six months to 30 September 2012. Roughly half (£0.60 million) of this fall resulted from a reduction in the quoted portfolio, which was in line with falls in quoted company indices over the same period. The biggest single fall was at Hargreaves Services plc (£0.34 million) which saw its share price drop by around 40% on news of operational issues at its Maltby colliery which has since been mothballed. The Company took the opportunity to increase its holding by £0.1 million in anticipation of a recovery.

The remaining £0.58 million of the value fall resulted from the unquoted portfolio which, as previously reported, was dominated by the reduction in value of GO Outdoors Limited of £1.77 million. GO Outdoors is a low-cost retailer of outdoor clothing and equipment which was impacted by a combination of reduced consumer spending across the retail sector and a wet summer. In spite of this GO Outdoors has now increased its number of retail outlets to 41 spread across the UK and rebalanced stock levels, which should make it well positioned for value recovery.

The value fall of GO Outdoors was substantially offset by the resilient performance of companies across the rest of the Company's unquoted portfolio which increased in value by £1.19 million over the period. A strong value growth of £0.84 million was achieved at recent investment Displayplan Holdings Limited, designer and supplier of retail point-of-sale equipment which has won significant new contracts for delivery in 2012 and 2013. Niche engineering group President Engineering Group Limited also saw further value growth of £0.77 million over the period as a result of continued profit growth, primarily driven by export activity.

The investment portfolio held at the period end can be split into the following categories:

|                          |                       |
|--------------------------|-----------------------|
| AiM Listed Investments   |                       |
| Non Qualifying           | £0.83 million         |
| Qualifying               | £2.64 million         |
| <i>Total AiM Listed</i>  | <i>£3.47 million</i>  |
| Unquoted Investments     |                       |
| Non Qualifying           | £ 0.81 million        |
| Qualifying               | £23.38million         |
| <i>Total Unquoted</i>    | <i>£24.19 million</i> |
| <b>Total Investments</b> | <b>£27.66 million</b> |

The Board continues to follow a policy of maintaining a diversified portfolio; as at 30 September 2012 only five of the thirty-one investments represent more than five per cent each of the Net Asset Value with the largest investment comprising just over ten per cent of the Net Asset Value.

### Disposal of investments

In August 2012 the Company completed the trade sale of Primal Pictures Limited, supplier of electronic medical imaging products, to Informa plc. This generated proceeds of £0.58 million, £0.17 million above the carrying value at 31 March 2012.

### Shareholder Relations

Many investors will recollect Sir Andrew Hugh Smith who so ably chaired this Company's board of directors between 1996 and 2008. Sadly Sir Andrew passed away on 3 October 2012. Sir Andrew is fondly remembered by this Board and we are grateful for his immense contribution to the development of the Company over many years. I am sure you will join the Board in passing on our condolences to his family and letting them know how much we valued the help, guidance and contribution he made.

#### *Fundraising*

An attractive investment environment, resulting from the recent increased ability of venture capital trusts to invest in growing British businesses alongside restrictions on other forms of finance, means the Company is seeking to increase its investment capacity through a linked offer. Together with British Smaller Companies VCT2 plc a prospectus will shortly be issued to raise up to £15.0 million across both VCTs. Early applications from existing Shareholders accepted on or before 28 December 2012 will receive additional shares equivalent to 2.5% of the amount subscribed.

#### *Dividends*

In August 2012 a final dividend of 3.0 pence per Ordinary share in respect of the year to 31 March 2012 was paid to Shareholders.

Your Board intends to maintain, where possible, an underlying annual dividend of 5.0 pence per Ordinary share, increasing this when profitable realisations are achieved. The Board is therefore proposing to maintain the interim dividend at 2.0 pence per Ordinary share which will be paid on 14 January 2013 to Shareholders on the register at 14 December 2012.

#### *Share capital and Dividend Reinvestment Scheme*

On 5 April 2012 the Company issued 1,531,778 new Ordinary shares, being the final tranche relating to the offer for subscription launched on 6 March 2012. In total this offer raised net proceeds of £2.5 million.

A further 261,760 new Ordinary shares were issued during the period pursuant to the Company's dividend reinvestment scheme. To date £2.3 million has been reinvested under these arrangements.

#### *Share Buy-Backs*

These are effected in the market through the Company's broker Nplus1 Singer Advisory LLP. During the six month period to 30 September 2012, your Company bought back 354,107 Ordinary shares at a cost of £0.30 million (Six months to 30 September 2011: 46,020 Ordinary shares at a cost of £0.04 million).

#### **Outlook**

The last six months have seen a continuation of the difficult market conditions of recent years and it is likely that the UK economy will experience a sustained period of very low growth. In spite of this many of the portfolio companies have delivered improved results. We hope to see this trend continue as economic conditions gradually improve and the increased diversification of the portfolio should reduce the volatility of returns.

Whilst the year ahead will continue to present challenges we are optimistic about the Company's ability to take advantage of opportunities to invest in attractive companies. The hesitant approach from the banks and changes in EU restrictions on qualifying VCT investments should both lead to an increase in the volume and scale of investment opportunities in the future.

The Board remains of the opinion that the forthcoming period will see good investment opportunities, both for the portfolio businesses and for new investments. It is with this in mind that we are seeking to increase the funds available for future investment.

I would like to thank Shareholders for their continued support.

Helen Sinclair  
13 November 2012

## **RECONCILIATION OF INVESTMENT PORTFOLIO MOVEMENT SINCE 31 MARCH 2012**

| Name of Company                         | Investment<br>Valuation at<br>31 March<br>2012 | Disposals    | Additions    | Valuation<br>gains<br>(losses) | Investment<br>Valuation at<br>30 September<br>2012 |
|-----------------------------------------|------------------------------------------------|--------------|--------------|--------------------------------|----------------------------------------------------|
| <b>Current Investments:</b>             | <b>£000</b>                                    | <b>£000</b>  | <b>£000</b>  | <b>£000</b>                    | <b>£000</b>                                        |
| GO Outdoors Limited                     | 5,504                                          | -            | -            | (1,765)                        | 3,739                                              |
| President Engineering Group Ltd         | 2,687                                          | -            | -            | 767                            | 3,454                                              |
| Seven Technologies Holdings Limited     | -                                              | -            | 2,524        | -                              | 2,524                                              |
| Displayplan Holdings Limited            | 1,300                                          | -            | -            | 1,012                          | 2,312                                              |
| Deep-Secure Ltd                         | 2,298                                          | -            | -            | (188)                          | 2,110                                              |
| Waterfall Services Limited              | 1,503                                          | -            | -            | 24                             | 1,527                                              |
| Fishawack Limited                       | 896                                            | -            | -            | 323                            | 1,219                                              |
| Insider Technologies (Holdings) Limited | -                                              | -            | 1,170        | -                              | 1,170                                              |
| Fairlight Bridge Limited                | -                                              | -            | 1,000        | -                              | 1,000                                              |
| Harvey Jones Holdings Limited           | 783                                            | -            | -            | 16                             | 799                                                |
| Harris Hill Holdings Limited            | 653                                            | -            | -            | 29                             | 682                                                |
| Bagel Nash Group Limited                | 611                                            | -            | 8            | (19)                           | 600                                                |
| EKF Diagnostics Holdings Plc            | 536                                            | -            | -            | 66                             | 602                                                |
| Selima Limited                          | 600                                            | -            | -            | -                              | 600                                                |
| RMS Group Holdings Limited              | 405                                            | -            | -            | 162                            | 567                                                |
| Bluebell Telecom Group Limited          | 608                                            | -            | -            | (63)                           | 545                                                |
| Other investments                       | 5,816                                          | (406)        | 342          | (1,542)                        | 4,210                                              |
| <b>Total Movement</b>                   | <b>24,200</b>                                  | <b>(406)</b> | <b>5,044</b> | <b>(1,178)</b>                 | <b>27,660</b>                                      |

## STATEMENT OF COMPREHENSIVE INCOME For the 6 months ended 30 September 2012

|                                                             | Notes | Unaudited<br>6 months ending 30 September<br>2012 |                 |                | Unaudited<br>6 months ending 30 September<br>2011 |                 |               |
|-------------------------------------------------------------|-------|---------------------------------------------------|-----------------|----------------|---------------------------------------------------|-----------------|---------------|
|                                                             |       | Revenue<br>£000                                   | Capital<br>£000 | Total<br>£000  | Revenue<br>£000                                   | Capital<br>£000 | Total<br>£000 |
| Gains on disposal of investments                            |       | -                                                 | 190             | 190            | -                                                 | 2,174           | 2,174         |
| (Losses) gains on investments held at fair value            |       | -                                                 | (1,191)         | (1,191)        | -                                                 | 360             | 360           |
| Income                                                      | 2     | 600                                               | -               | 600            | 857                                               | -               | 857           |
| Administrative expenses:                                    |       |                                                   |                 |                |                                                   |                 |               |
| Fund Management fee                                         |       | (95)                                              | (284)           | (379)          | (103)                                             | (308)           | (411)         |
| Other expenses                                              |       | (148)                                             | -               | (148)          | (162)                                             | -               | (162)         |
|                                                             |       | (243)                                             | (284)           | (527)          | (265)                                             | (308)           | (573)         |
| <b>Profit (loss) before taxation</b>                        |       | <b>357</b>                                        | <b>(1,285)</b>  | <b>(928)</b>   | <b>592</b>                                        | <b>2,226</b>    | <b>2,818</b>  |
| Taxation                                                    | 3     | (63)                                              | 63              | -              | 46                                                | (46)            | -             |
| <b>Profit (loss) for the period</b>                         |       | <b>294</b>                                        | <b>(1,222)</b>  | <b>(928)</b>   | <b>638</b>                                        | <b>2,180</b>    | <b>2,818</b>  |
| <b>Total comprehensive income (loss) for the period</b>     |       | <b>294</b>                                        | <b>(1,222)</b>  | <b>(928)</b>   | <b>638</b>                                        | <b>2,180</b>    | <b>2,818</b>  |
| <b>Basic and diluted earnings (loss) per Ordinary share</b> | 5     | <b>0.75p</b>                                      | <b>(3.11)p</b>  | <b>(2.36)p</b> | <b>1.78p</b>                                      | <b>6.07p</b>    | <b>7.85p</b>  |

## BALANCE SHEET As at 30 September 2012

|                                                             | Unaudited<br>6 months ended<br>30 September<br>2012 | Unaudited<br>6 months ended<br>30 September<br>2011 | Audited<br>Year ended<br>31 March<br>2012 |
|-------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-------------------------------------------|
| Notes                                                       | £000                                                | £000                                                | £000                                      |
| <b>Assets</b>                                               |                                                     |                                                     |                                           |
| <b>Non-current assets</b>                                   |                                                     |                                                     |                                           |
| Investments                                                 | 27,660                                              | 26,299                                              | 24,200                                    |
| Fixed income government securities                          | 2,495                                               | 2,492                                               | 2,499                                     |
| Financial assets at fair value through profit or loss       | 30,155                                              | 28,791                                              | 26,699                                    |
| <b>Current assets</b>                                       |                                                     |                                                     |                                           |
| Trade and other receivables                                 | 469                                                 | 442                                                 | 532                                       |
| Cash on fixed term deposit                                  | 5,125                                               | -                                                   | 5,000                                     |
| Cash and cash equivalents                                   | 1,509                                               | 10,593                                              | 7,372                                     |
|                                                             | 7,103                                               | 11,035                                              | 12,904                                    |
| <b>Liabilities</b>                                          |                                                     |                                                     |                                           |
| <b>Current liabilities</b>                                  |                                                     |                                                     |                                           |
| Trade and other payables                                    | (82)                                                | (463)                                               | (1,709)                                   |
| <b>Net current assets</b>                                   | <b>7,021</b>                                        | <b>10,572</b>                                       | <b>11,195</b>                             |
| <b>Net assets</b>                                           | <b>37,176</b>                                       | <b>39,363</b>                                       | <b>37,894</b>                             |
| <b>Shareholders' equity</b>                                 |                                                     |                                                     |                                           |
| Share capital                                               | 4,219                                               | 3,916                                               | 4,039                                     |
| Share premium account                                       | 24,683                                              | 22,139                                              | 23,176                                    |
| Capital redemption reserve                                  | 221                                                 | 221                                                 | 221                                       |
| Treasury share reserve                                      | (2,349)                                             | (1,909)                                             | (2,048)                                   |
| Capital reserve                                             | (58)                                                | -                                                   | -                                         |
| Investment holdings gains (losses) reserve                  | 6,268                                               | 7,679                                               | 7,432                                     |
| Special reserve                                             | 2,408                                               | 2,408                                               | 2,408                                     |
| Retained earnings                                           | 1,784                                               | 4,909                                               | 2,666                                     |
| <b>Total Shareholders' equity</b>                           | <b>37,176</b>                                       | <b>39,363</b>                                       | <b>37,894</b>                             |
| <b>Basic and diluted Net Asset Value per Ordinary Share</b> | <b>6</b>                                            | <b>94.2p</b>                                        | <b>106.5p</b>                             |
|                                                             |                                                     | <b>106.5p</b>                                       | <b>99.6p</b>                              |

Signed on behalf of the Board

**Helen Sinclair**  
**Chairman**  
**13 November 2012**

## STATEMENT OF CHANGES IN EQUITY For the 6 months ended 30 September 2012

|                                                      | Unaudited<br>6 months ended<br>30 September<br>2012 | Unaudited<br>6 months ended<br>30 September<br>2011 | Audited<br>Year ended<br>31 March<br>2012 |
|------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-------------------------------------------|
|                                                      | £000                                                | £000                                                | £000                                      |
| Opening Shareholders' equity                         | 37,894                                              | 41,172                                              | 41,172                                    |
| <i>Revenue return for the period</i>                 | 294                                                 | 639                                                 | 675                                       |
| <i>Capital expenses</i>                              | (221)                                               | (355)                                               | (1,955)                                   |
| <i>(Loss) gain on investments held at fair value</i> | (1,191)                                             | 360                                                 | 166                                       |
| <i>Gain on disposal of investments in the period</i> | 190                                                 | 2,174                                               | 2,178                                     |
| Total comprehensive loss/ income for the period      | (928)                                               | 2,818                                               | 1,064                                     |
| <i>Issue of Ordinary share capital</i>               | 1,528                                               | 1,722                                               | 2,897                                     |
| <i>Issue of Ordinary share capital costs</i>         | (81)                                                | (7)                                                 | (173)                                     |
| <i>Issue of share capital on DRIS*</i>               | 240                                                 | 1,202                                               | 1,353                                     |
| <i>Purchase of own Ordinary shares</i>               | (301)                                               | (43)                                                | (182)                                     |
| <i>Dividends</i>                                     | (1,176)                                             | (7,501)                                             | (8,237)                                   |
| Total Transactions with Shareholders                 | 210                                                 | (4,627)                                             | (4,342)                                   |
| Realisation of prior year investment holding gains   | -                                                   | -                                                   | -                                         |
| <b>Closing Shareholders' equity</b>                  | <b>37,176</b>                                       | <b>39,363</b>                                       | <b>37,894</b>                             |

\* DRIS being the Dividend Reinvestment Scheme

## STATEMENT OF CASH FLOWS For the 6 months ended 30 September 2012

|                                                                 | Unaudited<br>6 months ended<br>30 September<br>2012 | Unaudited<br>6 months ended<br>30 September<br>2011 | Audited<br>Year ended<br>31 March<br>2012 |
|-----------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-------------------------------------------|
|                                                                 | £000                                                | £000                                                | £000                                      |
| <b>Net cash (outflow) inflow from operating activities</b>      | <b>(1,559)</b>                                      | 186                                                 | (111)                                     |
| <b>Cash flows (used in) from investing activities</b>           |                                                     |                                                     |                                           |
| Cash placed on fixed term deposit                               | (5,125)                                             | -                                                   | (5,000)                                   |
| Cash from maturing fixed term deposit                           | 5,000                                               | -                                                   | -                                         |
| Purchase of fixed asset investments                             | (5,938)                                             | (1,350)                                             | (3,000)                                   |
| Proceeds from sale of fixed asset investments                   | 1,576                                               | 13,577                                              | 17,024                                    |
| <b>Net cash (used in) from investing activities</b>             | <b>(4,487)</b>                                      | 12,227                                              | 9,024                                     |
| <b>Cash flows from (used in) financing activities</b>           |                                                     |                                                     |                                           |
| Issue of Ordinary shares                                        | 1,523                                               | 1,819                                               | 2,897                                     |
| Cost of Ordinary share issue                                    | (103)                                               | (104)                                               | (178)                                     |
| Purchase of own Ordinary shares                                 | (301)                                               | (350)                                               | (490)                                     |
| Dividends paid (net of dividend reinvestment scheme)            | (936)                                               | (6,299)                                             | (6,884)                                   |
| <b>Net cash from (used in) financing activities</b>             | <b>183</b>                                          | (4,934)                                             | (4,655)                                   |
| <b>Net (decrease) increase in cash and cash equivalents</b>     | <b>(5,863)</b>                                      | 7,479                                               | 4,258                                     |
| <b>Cash and cash equivalents at the beginning of the period</b> | <b>7,372</b>                                        | 3,114                                               | 3,114                                     |
| <b>Cash and cash equivalents at the end of the period</b>       | <b>1,509</b>                                        | 10,593                                              | 7,372                                     |

## RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES For the 6 months ended 30 September 2012

|                                                            | Unaudited<br>6 months<br>ended 30<br>September<br>2012 | Unaudited<br>6 months ended<br>30 September<br>2011 | Audited<br>Year ended<br>31 March<br>2012 |
|------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|-------------------------------------------|
|                                                            | £000                                                   | £000                                                | £000                                      |
| (Loss) profit before tax                                   | (928)                                                  | 2,818                                               | 1,064                                     |
| Increase in trade and other receivables                    | (23)                                                   | (83)                                                | (59)                                      |
| (Decrease) increase in trade and other payables            | (1,601)                                                | (15)                                                | 1,239                                     |
| Profit on disposal of investments in the year              | (190)                                                  | (2,174)                                             | (2,178)                                   |
| Loss (profit) on investments held at fair value            | 1,191                                                  | (360)                                               | (166)                                     |
| Capitalised interest                                       | (8)                                                    | -                                                   | (11)                                      |
| <b>Net cash (outflow) inflow from operating activities</b> | <b>(1,559)</b>                                         | 186                                                 | (111)                                     |

## NOTES TO THE INTERIM REPORT

### 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 8, each of whom has confirmed that to the best of his 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 of the Financial Services Authority.

- The half year statements comply with IAS 34 'Interim financial reporting' and the Disclosure and Transparency Rules of the Financial Services 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 2012 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2012. 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 2012, except as noted below.

The financial statements for the year ended 31 March 2012 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Where guidance set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009 ("SORP") is consistent with the requirements of IFRS, the financial statements have been prepared in compliance with the recommendations of the SORP.

Standards and interpretations which have been issued or revised, for which their issue or revision will be effective for this accounting period, but are not expected to have an impact for the Company, are IFRS 1, IFRS 7, IAS 1 and IAS 12.

## 2. Income

|                                                                   | Unaudited<br>6 months ended<br>30 September<br>2012<br>£000 | Unaudited<br>6 months ended<br>30 September<br>2011<br>£000 |
|-------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Income from investments:                                          |                                                             |                                                             |
| -Dividends from unquoted companies                                | 10                                                          | 328                                                         |
| -Dividends from quoted companies                                  | 30                                                          | 29                                                          |
|                                                                   | 40                                                          | 357                                                         |
| -Interest on loans to unquoted companies                          | 452                                                         | 312                                                         |
| -Fixed interest Government securities                             | 29                                                          | 127                                                         |
| Income from investments held at fair value through profit or loss | 521                                                         | 796                                                         |
| Interest on deposits                                              | 79                                                          | 61                                                          |
| <b>Total income</b>                                               | <b>600</b>                                                  | <b>857</b>                                                  |

## 3. Taxation

|                                                                                                                            | Unaudited 6 months ended<br>30 September 2012 |                 |               | Unaudited 6 months ended 30<br>September 2011 |                 |               |
|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------|---------------|-----------------------------------------------|-----------------|---------------|
|                                                                                                                            | Revenue<br>£000                               | Capital<br>£000 | Total<br>£000 | Revenue<br>£000                               | Capital<br>£000 | Total<br>£000 |
| Profit (loss) on ordinary activities before taxation                                                                       | 357                                           | (1,285)         | (928)         | 592                                           | 2,226           | 2,818         |
| Profit (loss) on ordinary activities multiplied by standard small company rate of corporation tax in UK of 20% (2011: 20%) | 71                                            | (257)           | (186)         | 118                                           | 445             | 563           |
| <b>Effect of:</b>                                                                                                          |                                               |                 |               |                                               |                 |               |
| UK dividends received                                                                                                      | (8)                                           | -               | (8)           | (72)                                          | -               | (72)          |
| Non taxable losses (profits) on investments                                                                                | -                                             | 200             | 200           | -                                             | (506)           | (506)         |
| Excess management expenses                                                                                                 | -                                             | (6)             | (6)           | -                                             | 15              | 15            |
| Tax charge (credit)                                                                                                        | 63                                            | (63)            | -             | 46                                            | (46)            | -             |

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 management currently believe that there will not be sufficient taxable profits 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 of 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 2012 |               | Unaudited 6 months ended 30 September 2011 |                 |               | Audited Year ended 31 March 2011 |                 |               |
|----------------------------------------------------------------------------------------------|--------------------------------------------|---------------|--------------------------------------------|-----------------|---------------|----------------------------------|-----------------|---------------|
|                                                                                              | Revenue<br>£000                            | Total<br>£000 | Revenue<br>£000                            | Capital<br>£000 | Total<br>£000 | Revenue<br>£000                  | Capital<br>£000 | Total<br>£000 |
| Final paid – 3.0p per Ordinary share; paid on 17 August 2012 (2011: 3.0p per Ordinary share) | 1,176                                      | 1,176         | 873                                        | -               | 873           | 1,072                            | -               | 1,072         |
| Interim – 2.0p per Ordinary share; paid on 20 January 2012 (2011: 2.0p per Ordinary share)   | -                                          | -             | -                                          | -               | -             | 736                              | -               | 736           |
| Special dividend 18.0p per Ordinary Share paid on 22 August 2011                             | -                                          | -             | 720                                        | 5,908           | 6,628         | 2,064                            | 4,365           | 6,429         |
| <b>Dividends paid</b>                                                                        | <b>1,176</b>                               | <b>1,176</b>  | <b>1,593</b>                               | <b>5,908</b>    | <b>7,501</b>  | <b>3,872</b>                     | <b>4,365</b>    | <b>8,237</b>  |

An interim dividend of 2.0 pence per Ordinary share in respect of the period to 30 September 2012, amounting to £789,000, is proposed. This has not been recognised in the period ended 30 September 2012 as the obligation did not exist at the balance sheet date.

The difference between the dividend totals shown in the table above and the Statement of Cash Flows relates to the portion of the dividend satisfied by the issue of Ordinary shares under the Company's Dividend Reinvestment Scheme.

#### 5. Basic and diluted loss per Ordinary share

The basic and diluted loss per Ordinary share is based on the loss for the period attributable to equity Shareholders of £928,000 (30 September 2011: profit of £2,818,000) and on 39,381,914 shares (30 September 2011: 35,900,838), being the weighted average number of shares in issue during the period.

The basic and diluted revenue earnings per Ordinary share is based on the revenue profit for the period attributable to equity Shareholders of £294,000 (30 September 2011: profit of £638,000) and on 39,381,914 shares (30 September 2011: 35,900,838), being the weighted average number of shares in issue during the period.

The basic and diluted capital loss per Ordinary share is based on the capital loss for the period attributable to equity Shareholders of £1,222,000 (30 September 2011: profit of £2,180,000) and on 39,381,914 shares (30 September 2011: 35,900,838), being the weighted average number of shares in issue during the period.

#### 6. Net Asset Value per Ordinary share and changes in Ordinary share capital

The Net Asset Value per Ordinary share is calculated on attributable assets of £37,176,000 and 39,473,151 shares in issue at 30 September 2012 (30 September 2011: assets of £39,363,000 and 36,953,730 shares, 31 March 2012: assets of £37,894,000 and 38,033,720 shares).

During the period the Company allotted 1,531,778 new Ordinary shares pursuant to the offer for subscription launched on 6 March 2012 at a price of 99.75p per share (30 September 2011: 1,421,329 new Ordinary shares pursuant to the linked offer for subscription with British Smaller Companies VCT2 plc launched on 8 December 2010).

During the period the Company allotted 261,760 new Ordinary shares in respect of its Dividend Re-Investment Scheme at a price of 91.77p per share (30 September 2011: 1,277,941 new Ordinary shares at a price of 94.05p per share).

The Company has also repurchased 354,107 (30 September 2011: 46,020) of its own shares in the period and these shares are held in treasury. The total of 2,714,592 treasury shares has been excluded in calculating the number of Ordinary shares in issue at 30 September 2012 (30 September 2011: 2,207,305 treasury shares). The Company has no securities that would have a dilutive effect and hence basic and diluted Net Asset Value per Ordinary share are the same.

**7. Total Return**

Total Return per Ordinary share is calculated on cumulative dividends paid of 82.2 pence per Ordinary Share (30 September 2011: 77.2 pence per Ordinary share and 31 March 2012: 79.2 pence per Ordinary share) plus the Net Asset Value at those dates as calculated per note 6.

**8. Directors**

The directors of the Company are: Mrs H Sinclair, Mr CWER Buchan and Mr PS Cammerman.

**9. Principal Risks & Uncertainties**

There has been no change to the principal risks and uncertainties facing the Company since the publication of the financial statements for the year ended 31 March 2012. In summary, the principal risks are:

- Economic;
- Investment and strategic;
- Loss of approval as a Venture Capital Trust;
- Regulatory;
- Reputational;
- Operational;
- Financial;
- Market risk; and
- Liquidity risk.

Full details of the principal risks can be found in the financial statements for the year ended 31 March 2012 on page 26, a copy of which can be found at [www.yfmep.com](http://www.yfmep.com).

**10. Other information**

Copies of the interim report will shortly be available from the Company's registered office: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ and from the Fund Manager's website: [www.yfmep.com](http://www.yfmep.com).

For further information please contact:

|                |                            |                    |
|----------------|----------------------------|--------------------|
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