British Smaller Companies VCT plc

Annual Financial Report Announcement

for the Year to 31 March 2012

British Smaller Companies VCT plc ("the Company") today announces its audited results for the year to 31 March 2012.

Whilst the general economic backdrop has remained challenging the total return to Shareholders has increased by 1.5% (2.6 pence per Ordinary share) in the year. The financial highlights are:

- An increase in Net Asset Value (before accounting for dividends) of 2.6 pence;
- Dividends for the year total 23.0 pence per Ordinary share including a special dividend of 18.0 pence per Ordinary share; and
- Underlying growth in the investment portfolio of 7.2% (£2.16 million)

Chairman's Statement

I am pleased to present to Shareholders the Annual Report of the Company for the year ended 31 March 2012.

Your Company has followed the excellent performance of 2011 with further progress this year. Total Return (Net Asset Value plus cumulative dividends) rose by 2.6 pence per Ordinary share (1.5%) over the 12 months to 31 March 2012 to 178.8 pence per Ordinary share (176.2 pence per Ordinary share at 31 March 2011). This value gain compares to a reduction in the FTSE SmallCap® Index of 3.2% and the FTSE AiM All-Share® Index of 11.7% over the same period. I am delighted to report that the Company has maintained its position as the top performing Venture Capital Trust over a 3 year period to date as reported by Citywire. The Company was also voted VCT of The Year by Investor Allstars and GO Outdoors was voted VCT Deal of The Year by unquote".

This continued positive progress was achieved against the backdrop of another challenging year for the UK economy, with the escalating debt crisis in the Eurozone and consumers feeling the pinch of the UK Government's austerity measures. However, many of the portfolio companies have benefited from improved efficiencies following tough measures to control costs in recent years and have managed to make good progress during the year. In spite of the significant market uncertainties over the past few years, entrepreneurial management teams continue to plan and invest for the future and with banks still reluctant to lend we are seeing a marked increase in the volume of investment opportunities, which is expected to continue in the year ahead. It is with this in mind that the Board increased the Company's investment capacity via the recent offer for subscription for Ordinary shares which raised a net total of £2.5 million.

Dividends paid in the year totalled 23.0 pence per Ordinary share (19.2% of 31 March 2011 Net Asset Value per Ordinary share) which included a special dividend of 18.0 pence per Ordinary share following the partial disposal of the investment in GO Outdoors Limited in April 2011. Following payment of the dividends the Net Asset Value is 99.6 pence per Ordinary share at 31 March 2012 (120.0 pence per Ordinary share at 31 March 2011). Your Board is recommending that the usual underlying annual dividend of 5.0 pence per Ordinary share is maintained by way of a final dividend of 3.0 pence per Ordinary share in respect of the year to 31 March 2012 (2011: 3.0 pence). If approved, this dividend will be paid on 17 August 2012 to Shareholders on the register at 13 July 2012. The final dividend has not been recognised in the accounts under IFRS as the contractual obligation did not exist at the balance sheet date.

Your Board will maintain its policy of seeking to improve on this underlying dividend as and when profitable cash realisations allow.

Investment Portfolio

Over the year to 31 March 2012 the total capital value growth from the opening portfolio was £2.16 million, or 7.2%, made up of £0.07 million of unrealised value growth and £2.09 million profit on disposals. Of the profit on disposals, £2.07 million is attributed to the partial disposal of roughly one third of the Company's holding in GO Outdoors Limited to 3i Group plc for £6.54 million. Although net unrealised growth is small, significant progress has been made across the portfolio, most notably security software provider Deep-Secure Ltd increased in value by £1.21 million and niche manufacturer President Engineering Group Limited increased in value by £1.69 million, both recording strong profit growth. Uplifts were also noted in respect of port operator RMS Group Holdings Limited (up £0.22 million) and recruitment specialist Harris Hill Limited (up £0.19 million). These and other value gains were offset by a £3.56 million reduction in the residual investment valuation of GO Outdoors Limited as a result of a downturn in the retail sector, although the medium term prospects for this investment still look strong.

The stockmarkets have been quite volatile during the year but the quoted investment portfolio finished the year with an overall value reduction of only £0.06 million. Significant gains were seen on coal services and logistics group Hargreaves Services plc (up £0.17 million), medical diagnostics group EKF Diagnostics Holdings plc (up £0.13 million) and business software services provider Tikit Group plc (up £0.10 million).

The year to 31 March 2012 saw an increase in investment activity with a total of £2.53 million invested (£2.21 million in the year to 31 March 2011 excluding the £0.75 million further investment into acquisition vehicle Adex Bridge Investments Limited). This included four new investments totalling £1.97 million and four further investments totalling £0.26 million. In addition a further £0.30 million was invested into North Western Investments Limited to fund the buy-out of Displayplan Holdings Limited.

The four new investments were:

- £0.61 million investment made into Bagel Nash Limited to fund the buy-out of the bakery and successful branded retail chain;
- £0.38 million invested to fund the growth plans of PowerOasis Limited, a leading provider of power management and energy efficient solutions to international mobile telecommunications operators;
- £0.38 million of growth capital invested into TeraView Limited, a provider of products with applications in the electronics, medical analysis, solar power and security sectors based on its innovative terahertz technology; and
- £0.60 million investment was made into the buy-out of established payroll and HR software services provider Selima Limited.

There have been a number of disposals during the year, the most notable being the partial disposal of the Company's investment in GO Outdoors Limited to 3i Group plc in April 2011. The Company received proceeds of £6.54 million representing a profit of £2.07 million compared to the previous carrying value and a profit of £6.49 million compared to the original cost of the investment. This allowed the Company to return to its Shareholders a tax free special dividend of 18.0 pence per Ordinary share. The Company has a residual 14.09% shareholding in GO Outdoors Limited. Continued strong levels of profit enabled the remaining preference shares in Waterfall Services Limited to be redeemed (£0.23 million) and RMS Group Holdings Limited to repay the remaining shareholder loan (£0.36 million). Further disposals were made across a number of AiM quoted companies including Hargreaves Services plc, Tikit Group plc, Patsystems plc, Belgravium Technologies plc and Straight plc. The sale of AiM shares during the year generated £0.56 million of proceeds, a gain of £0.02 million above the previous carrying value and delivered a profit of £0.12 million compared to original cost.

The year also saw the disposal of acquisition vehicle Adex Bridge Investments Limited which reinvested its £1.75 million value into specialist engineering group Seven Technologies Limited just after the 31 March 2012 year end. The £1.0 million loan to 4G Capital Limited was also repaid in the period, recovering proceeds after costs marginally under the £1.0 million carrying value.

In total proceeds of £10.4 million were received, generating a profit on previous carrying values of £2.09 million and representing a £6.60 million gain on original cost.

The portfolio also generated income during the year of £0.93 million (2011: £0.72 million) from interest and dividend payments, resulting in a total portfolio return for the year before administrative fees of £3.09 million (2011: £11.28 million).

Financial Results

The result for the financial year ended 31 March 2012 was a pre-tax profit of £1.06 million which comprised profits in respect of capital and revenue of £0.32 million and £0.74 million respectively, as compared to a pre-tax profit of £10.37 million in 2011 (which comprised a capital profit of £9.67 million and a revenue profit of £0.70 million).

The movement in Net Asset Value in the year has been:

	Pence per share
31 March 2011	120.0
Total increase in the year	2.6
	122.6
Dividends paid in year	(23.0)
31 March 2012	99.6

Cash and cash equivalents, fixed term bonds and gilt investments at the end of the year amounted to £14.87 million, representing 39.2% of Net Asset Value (2011: £11.65 million representing 28.3% of Net Asset Value). A further £1.4 million of net proceeds were received after the year end in respect of the successful fundraising offer noted below.

Under the incentive scheme to reward the Fund Manager a payment of £1,415,058 (equivalent to 3.7 pence per Ordinary share) is to be made in respect of the year ended 31 March 2012. This has been fully accrued in the accounts and payment will be made following the Annual General Meeting on 20 July 2012.

Shareholder Communications and Fundraising

At the beginning of the year the Company increased its investment capacity through a linked offer with British Smaller Companies VCT2 plc launched in December 2010. During the financial year a total of 1,421,329 new Ordinary shares (at 128 pence per Ordinary share) were issued relating to this linked offer. Taking into account the shares issued prior to the 31 March 2011 year end the total new funds raised by the Company under the linked offer amounted to £4.41 million.

Towards the end of the financial year, the Company increased its investment capacity further through an Offer for Subscription of up to 3,788,310 new Ordinary shares at a price of 99.75 pence per Ordinary share. I am pleased to report that on 20 March 2012 the Company allotted 1,080,772 new Ordinary shares and shortly following the year end, on 5 April 2012, a further 1,531,778 new Ordinary shares were allotted, with the Company raising net proceeds totalling £2.5 million.

The additional investment capacity will enable the Company to take advantage of attractive investment opportunities that are expected to arise over the coming years.

Your Board continues to support the Shareholder workshops run by the Company's Fund Manager, YFM Private Equity Limited, where investors are invited to meet members of the Board, representatives from the Fund Manager and the Chief Executives of one or more of our investee companies. We were delighted to welcome over 150 Shareholders to the most recent workshop held on 9 February 2012 at the Royal College of Surgeons. Your Board continues to remain committed to these events which we believe are useful in increasing Shareholders' awareness of the Company's activities.

The Board also remains committed to the objective of achieving a consistent dividend stream. This policy has been continued with your Board proposing that a final dividend of 3.0 pence per Ordinary share will be paid on 17 August 2012 to Shareholders on the register as at 13 July 2012.

Your Board continues to promote the Company's dividend reinvestment scheme ("DRIS"). Your Board believes that the combination of achieving a consistent dividend, growth in Net Asset Value and tax relief on reinvested dividends remains an attractive investment proposition. During the year a total of 1.43 million new Ordinary shares were issued under the scheme. This represented 16.4% of the dividends paid (20% excluding the special dividend).

During the year, the Company purchased a total of 199,200 Ordinary shares at an average price of 91.21 pence per Ordinary share (2011: 778,448 shares at an average price of 88.73 pence per Ordinary share). The existing buy-back authority currently expires on 20 July 2012 and is proposed to be extended by 3 years or until the date of the 2015 Annual General Meeting, whichever is the earlier. A resolution to this effect will be proposed at the Company's Annual General Meeting this year.

The Annual General Meeting of the Company will be held at 12:00 noon on 20 July 2012 at 33 St James Square, London, SW1Y 4JS.

Regulation

Venture Capital Trusts have had a positive influence and benefit on the flow of capital to the UK's smaller businesses and it is welcome that this has been recognised by the current UK Government.

Following the issue of the Draft Finance Bill 2012 on 29 March 2012 investments undertaken by the Company will be subject to new legislation.

Following EU approval welcome changes have been made to the “qualifying company” limits effective from 6 April 2012 subject to the granting of Royal Assent. These are summarised as follows:

- the employee limit will increase from 50 to 250 for investee companies.
- an increase in the size threshold of gross assets to £15 million before investment from £7 million; and
- that the maximum amount that an investee company can receive from VCTs and other State Aid sources will now be £5 million.

Funds raised by VCTs after 5 April 2012 may not be used to finance buy-outs or otherwise to acquire existing shares.

The Company does not have any funds to which the buy-outs rule applies, with all funds raised on or prior to 5 April 2012.

These changes are expected to significantly increase the level and scale of investment opportunities available to the Company over the coming years.

Subsequent Events

On 3 April 2012 the Company invested £2.5 million into the Northern Ireland based specialist engineering group Seven Technologies Limited. Also on 3 April 2012 £1.0 million was invested into the acquisition vehicle Fairlight Bridge Limited, focused on turnaround opportunities in and around the Midlands.

On 5 April 2012 the Company allotted 1,531,778 new Ordinary shares of 10 pence each at a price of 99.75 pence per Ordinary share in respect of valid subscriptions received and accepted by the Company on or after 21 March 2012 and by 11:00 am on Thursday 5 April 2012 pursuant to the Offer for Subscription (“the Offer”) launched on 6 March 2012. In total the Company raised net proceeds of £2.5 million under the Offer, which closed on 5 April 2012.

Outlook

It is encouraging to see many portfolio businesses reporting improved results feeding through to increased valuations. The portfolio remains well funded with many companies having taken the opportunity to improve efficiency and capitalising on market changes resulting from the uncertain economic conditions. This Company is well placed both to add to the diversity of its investment portfolio and continue to support existing portfolio companies as they seek to expand organically and through selective acquisitions.

The Board believes that the upcoming period is again likely to present good investment opportunities, both for existing portfolio businesses and for new investments. It is pleasing that in the new financial year we are already reporting an increase in investment activity and the Fund Manager is seeing an increase in new investment enquiry levels. The relaxation of the restrictions governing VCT qualifying investments is also expected to increase the number and scale of attractive opportunities over the coming years. It was with this in mind that we increased the investment capacity of the Company so as to be in a strong position to take advantage of good opportunities as they arise. The strong long-term track record of the Company now provides an excellent platform for future fund raising and investment activity.

I would like to take this opportunity to thank all Shareholders for their continued support, which we greatly value.

Helen Sinclair

Chairman

13 June 2012

Fund Manager's Review

Portfolio Valuation at 31 March 2012 and disposal history up to 31 March 2012

Current Investments:	Date of Initial Investment	Location	Industry Sector	Original Cost £000	Proceeds to Date* £000	Investment Valuation at 31 March 2012 £000	Returns to Date £000
GO Outdoors Limited	May-98	Sheffield	Consumer Products	556	6,995	5,504	12,499
President Engineering Group Limited	Sep-10	Sheffield	Manufacturing	1,000	-	2,687	2,687
Deep-Secure Ltd	Dec-09	Reading	Software	1,000	-	2,298	2,298
Displayplan Holdings Limited (formerly North Western Investments Limited)	Feb-10	Baldock, Herts	Retail	1,300	-	1,300	1,300
Fishawack Limited	Jan-08	Knutsford	Communications	878	-	896	896
Harvey Jones Holdings Limited	May-07	London	Manufacturing	777	-	783	783
Hargreaves Services plc	Dec-07	Durham	Manufacturing	469	330	757	1,087
Lightmain Company Limited	Mar-10	Rotherham	Manufacturing	600	-	686	686
Harris Hill Holdings Limited	Jun-07	Kingston-upon-Thames	Recruitment	600	-	653	653
Bagel Nash Group Limited	Jul-11	Leeds	Food Retailer	611	-	611	611
Bluebell Telecom Group Limited	Sep-10	Newcastle	Telecommunications	500	-	608	608
Selima Limited	Mar-12	Sheffield	Software	600	-	600	600
K3 Business Technology Group plc	Apr-08	Colne	Software	402	-	585	585
EKF Diagnostics Holdings plc	Jul-10	London	Pharmaceuticals	366	105	536	641
Pressure Technologies plc	Jun-07	Sheffield	Industrial	425	-	454	454

Mattioli Woods plc	Nov-05	Leicester	Support Services	326	-	449	449
Tikit Group plc	Jun-01	London	Software	226	187	438	625
Primal Pictures Limited	Mar-01	London	Healthcare	500	93	406	499
RMS Group Holdings Limited	Jul-07	Goole	Industrial	1,050	897	405	1,302
PowerOasis Limited	Nov-11	Swindon	Telecommunications	375	-	375	375
TeraView Limited	Dec-11	Cambridge	Electronics	375	-	375	375
Cambridge Cognition Limited	May-02	Cambridge	Software	325	-	330	330
Dryden Human Capital (formerly Darwin Rhodes Group Limited)	Apr-08	London	Recruitment	488	-	319	319
Woodspeen Training plc	Dec-10	London	Training Provider	250	-	165	165
Vianet Group plc (formerly Brulines Group plc)	Oct-06	Stockton-on- Tees	Software	163	-	140	140
Ellfin Home Care Limited	Dec-07	Oldham	Healthcare	823	-	139	139
Straight plc	Feb-04	Leeds	Industrial	341	139	107	246
Belgravium Technologies plc	Oct-05	Bradford	Software	200	22	91	113
4G Capital Limited	Mar-10	North-West	Software	1,000	984	-	984
				17,526	**9,985**	**24,200**	**34,185**
Full disposals since March 2002				13,942	18,572	-	18,572
Full disposals prior to March 2002				6,394	3,246	-	3,246
Total				**37,862**	**31,803**	**24,200**	**56,003**

* Proceeds include premiums and profits on loan repayments and preference redemptions

Reconciliation of Investment Portfolio movement since 31 March 2011

Name of Company Current Investments:	Investment Valuation at 31 March 2011 £000	Disposals £000	Additions £000	Valuation gains (losses) £000	Investment Valuation at 31 March 2012 £000
GO Outdoors Limited	13,521	(4,461)	-	(3,556)	5,504
President Engineering Group Limited	1,000	-	-	1,687	2,687
Deep-Secure Ltd	1,092	-	-	1,206	2,298
Waterfall Services Limited	1,821	(233)	-	(85)	1,503
Displayplan Holdings Limited (formerly North Western Investments Limited)	1,000	-	300	-	1,300
Fishawack Limited	811	-	103	(18)	896
Harvey Jones Holdings Limited	699	-	-	84	783
Hargreaves Services plc	869	(283)	-	171	757
Lightmain Company Limited	569	-	-	117	686
Harris Hill Holdings Limited	465	-	-	188	653
Bagel Nash Limited	-	-	611	-	611
Bluebell Telecom Group Limited	500	-	-	108	608
Selima Limited	-	-	600	-	600
Other investments	7,599	(3,368)	911	172	5,314
Total Movement	**29,946**	**(8,345)**	**2,525**	**74**	**24,200**

Fund Manager’s Review

Introduction

This year follows the excellent results for 2011 which saw the strongest overall return on opening value since the Company was first established in 1995. It is pleasing to report that further progress has been made in the year to 31 March 2012 with completion of the partial disposal of the investment in GO Outdoors Limited and strong profit growth achieved by several other portfolio businesses.

In spite of the macro-economic environment continuing to present challenges, several portfolio businesses still achieved strong results. Most notably, niche engineering group President Engineering Group Ltd completed the first year since the Company’s investment with profits well ahead of budget. Specialist IT communications supplier Deep-Secure Ltd saw profits double in the year to 31 December 2011 compared to the previous year. Further growth in volumes and profits at logistics and stevedoring group, RMS Group Holdings Limited, enabled all of the remaining loan to be repaid early. The Company was also able to profitably dispose of approximately one third of its holdings in Hargreaves Services plc.

Investment activity levels are starting to pick up and the Company has made four new investments during the year, together with four follow on investments to support existing companies in the portfolio.

Cash and cash equivalents, fixed term bonds and gilt investments at 31 March 2012 were £14.87 million, representing 39.2% of net assets. This compares to £11.65 million and 28.3% at 31 March 2011. A further £1.4 million of net proceeds was received by the Company following the year end in respect of the offer for subscription launched by the Company on 6 March 2012, providing additional liquidity. The Company remains in a strong cash position to meet anticipated future investment opportunities.

Portfolio Performance

Overall this year has seen general progress made across the whole portfolio against the backdrop of tough economic conditions including the Euro-region sovereign debt crisis and the implementation of UK austerity measures. UK GDP growth is widely forecast to be low for some years to come. However, for investors capable of taking a medium term view over 5-10 years, these conditions should present a backdrop for some good investment opportunities, with the banks still reluctant to lend. Having taken tough steps to reduce costs and cut unprofitable activities over recent years many of the portfolio businesses saw improved revenues during the year which combined with improved efficiency levels, resulted in good profit improvements. The portfolio remains well funded and positioned for further value growth as economic conditions slowly improve and current strategies are implemented to capitalise on the changing market conditions.

Overall, the quoted and unquoted portfolio decreased by £5.75 million to a total of £24.20 million at 31 March 2012 (£29.95 million at 31 March 2011). Netting off the new investment of £2.53 million and the value of investments sold of £8.34 million, the net portfolio value increased over the year by £0.07 million. This breaks down into an increase of £0.13 million in the unquoted portfolio and a decrease of £0.06 million in the quoted portfolio.

	Total portfolio
	£000
Opening value	29,946
Additions	2,525
Valuation changes	
Unquoted	134
Quoted	(60)
Value sold	(8,345)
31 March 2012	24,200

Following the £6.54 million partial disposal of roughly a third of the Company's holding in outdoor retail group GO Outdoors Limited, the valuation of the residual holding reduced by £3.56 million. This fall, which equates to a drop of 39%, is a result of the general downturn in the retail sector which has reduced earnings multiples used in the valuation calculation. Although still at a healthy level, profits were below budget and also impacted by aggressive cost cutting at competitor Blacks Leisure Group plc which eventually went into administration in January 2012. Following its UK rollout plan GO Outdoors opened ten new stores during the year and the prospects for value growth remain strong over the medium term. Given the reduction in the valuation of GO Outdoors, the overall growth in unrealised value over the year demonstrates the strong performance by many other unquoted portfolio investments.

As mentioned above, significant unrealised value gains were made in Deep-Secure Ltd (up £1.21 million) and President Engineering Group Ltd (up £1.69 million) following strong profit growth. Other significant value movements include port operator RMS Group Holdings Limited (up £0.22 million), recruitment specialist Harris Hill Holdings Limited (up £0.19 million), telecommunications service provider Bluebell Telecom Group Limited (up £0.11 million) and playground equipment manufacturer Lightmain Company Limited (up £0.12 million). Apart from the value fall in GO Outdoors Limited, only three other unquoted investments saw values fall and none by significant levels. It is particularly encouraging to see several of the cyclical businesses seeing profit improvement and we hope this continues as market conditions improve further.

The quoted portfolio has remained relatively stable overall. Key unrealised improvements were achieved at coal services and logistics group Hargreaves Services plc (up £0.17 million), medical diagnostics group EKF Diagnostics Holdings plc (up £0.13 million) and business software service provider Tikit Group plc (up £0.10 million), although the residual value of the holding in Hargreaves Services plc has fallen back since the year end.

The investment portfolio held at the year end can be analysed into the following categories:

AiM Listed Investments

Non Qualifying	£1.19 million
Qualifying	£2.53 million
	£3.72 million

Unquoted Investments

Non Qualifying	£ 0.90 million
Qualifying	£19.58 million
	£20.48 million
Total Investments	**£24.20 million**

Investment Activity

An increase in investment activity levels has been experienced, and it is hoped that this will continue in the year ahead. During the year investments were made in eight companies:

New Investments	£million
Bagel Nash Group Limited	0.61
PowerOasis Limited	0.38
TeraView Limited	0.38
Selima Limited	0.60
Follow-on Investments	
Dryden Human Capital Group Limited (formerly Darwin Rhodes Group Limited)	0.04
Fishawack Limited	0.10
EKF Diagnostics Holdings plc	0.12
Displayplan Holdings Limited (formerly North Western Investments Limited)	0.30
Total	2.53

During the year new investments were made in four businesses. In July 2011 the Company invested £0.61 million, alongside a further £0.41 million from British Smaller Companies VCT2 plc, to support a proven management team in the buy-in of Bagel Nash Group Limited, a bakery and successful espresso and bagel retail chain. The strategy is to roll out the proven retail proposition across the North of England. In November 2011 the Company invested £0.38 million into PowerOasis Limited, a specialist provider of off grid power solutions for operators of mobile phone base stations. In December 2011 the Company invested £0.38 million into TeraView Limited, a company specialising in the provision of innovative testing processes to the electronics sector. In March 2012 the Company backed the management buy-out of payroll and HR software group Selima Limited with an investment of £0.60 million.

The Company also made four further investments into its existing unquoted and quoted portfolios. In April 2011 £0.04 million was invested into niche international recruitment consultant, Dryden Human Capital Group Limited (formerly Darwin Rhodes Group Limited), to fund a shareholder restructuring alongside investment from new institutional co-investment partner Calculus Capital. In June 2011 £0.10 million was invested into specialist healthcare communications company Fishawack Limited to fund the acquisition of a Swiss competitor. Also in June 2011 £0.12 million was invested into AiM quoted diagnostics healthcare group, EKF Diagnostics Holdings plc to help to fund the acquisition of a US based diagnostics group. In January 2012 the Company completed an overall investment of £1.30 million into Displayplan Holdings Limited, providing retailers and branded goods manufacturers with point-of-sale display fixtures, through its acquisition vehicle North Western Investments Limited, into which the Company had previously invested £1.00 million. We will continue to invest into the portfolio where we see good opportunities for value growth, either via the provision of working capital, funding portfolio businesses to make acquisitions or enabling a restructuring of existing shareholdings.

Following the year end £2.50 million was invested into specialist engineering group Seven Technologies Limited based in Northern Ireland. £1.00 million was also invested into Fairlight Bridge Limited, backing successful interim manager Peter Bridge to look for turnaround opportunities in and around the Midlands region.

Disposals

April 2011 saw the Company's most significant disposal to date. The partial realisation of the investment in GO Outdoors Limited to 3i plc realised cash proceeds of £6.54 million and allowed the Company to return this to its Shareholders in the form of an 18.0 pence per Ordinary share special dividend. The Company has a residual 14.09% shareholding in GO Outdoors Limited. This deal was awarded VCT Deal of the Year by unquote".

In addition to the partial disposal above, the Company received proceeds of £3.9 million comprising: £3.1 million of loan repayments and preference redemptions and £0.8 million from other portfolio companies.

Over the course of the year £0.33 million has been received from the sale of shares in AiM-listed Hargreaves Services plc, recognising a profit of £0.05 million compared to previous carrying value and a profit of £0.18 million compared to original cost.

The Company's residual investment in AiM-listed Patsystems plc was disposed of in January 2012 for £0.12 million, realising a small loss. The Company also disposed of shares in Belgravium Technologies plc and Straight plc for £0.02 million and generating a small gain. The sale of shares in AiM-listed Tikit Group plc realised proceeds of £0.09 million, £0.02 million in excess of previous carrying value and at a £0.06 million premium to the original cost of the shares.

Also, in March 2012, the Company disposed of its investments in 4G Capital Limited and Adex Bridge Investments Limited. This resulted in £0.90 million and £1.58 million of loans being repaid and £0.108 million and £0.17 million of equity being returned respectively.

The £3.1 million of cash returned from loan repayments and preference redemptions also includes £0.23 million from Waterfall Services Limited in respect of the redemption of preference shares and the £0.36 million early loan repayment from RMS Group Holdings Limited. In addition Denison Mayes Group Limited made the final repayment on the small residual loan.

Overall cash proceeds received during the year amounted to £10.4 million representing a £6.60 million profit on original cost and an uplift of £2.08 million on the previous carrying value. Together with the £0.09 million gain from the sale of gilt investments, this takes the total gain on disposal of investments during the reporting period to £2.98 million.

Summary and Outlook

The year under review has seen a continuation of the difficult market conditions of recent years. In spite of this many of the portfolio companies have been able to deliver improved results. We would hope to see this trend continue as economic conditions begin to improve.

Whilst the year ahead will be challenging we are optimistic about the Company's ability to take advantage of the upcoming opportunities. The hesitant approach from the banks and changes in EU restrictions on qualifying investments should both lead to an increase in the volume and scale of investment opportunities in the year ahead.

The Company's cash reserves have been boosted further by the recent Offer for Subscription. After taking account of the proposed final dividend of 3.0p per Ordinary share this leaves the Company with strong cash reserves to support the portfolio, take advantage of good investment opportunities and continue to pay an attractive dividend.

David Hall

YFM Private Equity Limited

13 June 2012

Principal risks, risk management and regulatory environment

The Board believes that the principal risks faced by the Company are:

Economic – Events such as recession and interest rate fluctuations could affect smaller companies' performance and valuations. As well as the response to 'Investment and Strategic' risk below the Company has a clear investment policy and a diversified portfolio operating in a range of sectors. *The Fund Manager actively monitors investee performance which provides quality information for their monthly review of the portfolio.*

Investment and strategic – Inappropriate strategy, poor asset allocation or consistently weak stock allocation may lead to under performance and poor returns to Shareholders. The quality of enquiries, investments, investee company management teams and monitoring, and the risk of not identifying investee under performance might also lead to under performance and poor returns to Shareholders. *The Board reviews strategy annually. At each of the (at least) quarterly Board meetings the directors review the appropriateness of the Company's objectives and stated strategy in response to changes in the operating environment, peer group activity and performance against the Company's stated benchmark indicator. The Fund Manager carries out due diligence on potential investee companies and their management teams and utilises external reports where appropriate to assess the viability of investee businesses before investing. Wherever possible a non-executive director will be appointed to the board of the investee.*

Loss of approval as a VCT - The Company must comply with Chapter 3 Part 6 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying Shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains. *One of the Key Performance Indicators monitored by the Company is its compliance with legislative tests.*

Regulatory – The Company is required to comply with the Companies Act 2006, the rules of the UK Listing Authority and International Financial Reporting Standards as adopted by the European Union ('IFRSs'). Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report. *The Fund Manager has procedures in place to ensure recurring Listing Rules requirements are met and actively consults with brokers, solicitors and external compliance advisors as appropriate.*

Reputational – Inadequate or failed controls might result in breaches of regulations or loss of Shareholder trust. *The Board is comprised of directors with suitable experience and qualifications who* *report annually to the Shareholders on their independence. The Fund Manager is well-respected with a proven track record and has a formal recruitment process to employ experienced investment staff. Allocation Rules have been agreed between the Fund Manager and the Company, and no personal co-investments are permitted. Advice is sought from external advisors where required. Both the Company and the Fund Manager maintain appropriate insurances.*

Operational – Failure of the Fund Manager's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring. *The Fund Manager has a documented disaster recovery plan.*

Financial — Inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.

Market/liquidity – Lack of liquidity in both the venture capital and public markets. Investment in AiM-traded, PLUS and unquoted companies, by their nature, involve a higher degree of risk than investment in companies trading on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. The fact that a share is traded on AiM or PLUS does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. *Overall liquidity risks are monitored on an ongoing basis by the Fund Manager and on a quarterly basis by the Board. Sufficient investments in cash and fixed income securities are maintained to pay expenses as they fall due.*

Responsibility statements of the Directors in respect of the Annual Financial Report

The Annual Report and Accounts contains the following statements regarding responsibility for the management report and financial statements included in the Annual Report and Accounts from which the information in this Announcement has been extracted (references in the following statements are to sections of the Annual Report and Accounts).

The directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

- the business review included within the Chairman's Statement, Fund Manager's Review and

Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Statement of Comprehensive Income

For the year ended 31 March 2012

		2012			2011		
		Revenue	**Capital**	**Total**	Revenue	Capital	Total
	Notes	**£000**	**£000**	**£000**	£000	£000	£000
Gain on disposal of investments		**-**	**2,178**	**2,178**	-	19	19
Gains on investments held at fair value		**-**	**166**	**166**	-	10,254	10,254
Income	2	**1,236**	**-**	**1,236**	1,174	-	1,174
Administrative expenses:							
Fund management fee		**(201)**	**(604)**	**(805)**	(153)	(460)	(613)
Incentive fee		**-**	**(1,415)**	**(1,415)**	-	(142)	(142)
Other expenses		**(296)**	**-**	**(296)**	(319)	-	(319)
		(497)	**(2,019)**	**(2,516)**	(472)	(602)	(1,074)
Profit before taxation		**739**	**325**	**1,064**	702	9,671	10,373
Taxation	3	**(64)**	**64**	**-**	(86)	86	-
Profit for the year		**675**	**389**	**1,064**	616	9,757	10,373
Total comprehensive income for the year		**675**	**389**	**1,064**	616	9,757	10,373
Basic and diluted earnings per Ordinary share	5	**1.85p**	**1.07p**	**2.92p**	1.86p	29.52p	31.38p

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs'). The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP') 2009 published by the Association of Investment Companies.

Balance Sheet

At 31 March 2012

	Notes	2012 £000	2011 £000
Assets			
Non-current assets			
Investments		**24,200**	29,946
Fixed income government securities		**2,499**	8,537
Financial assets at fair value through profit or loss		**26,699**	38,483
Current assets			
Trade and other receivables		**532**	359
Cash on fixed term deposit		**5,000**	-
Cash and cash equivalents		**7,372**	3,114
		12,904	3,473
Liabilities			
Current liabilities			
Trade and other payables		**(1,709)**	(784)
Net current assets		**11,195**	2,689
Net assets		**37,894**	41,172
Shareholders' equity			
Share capital		**4,039**	3,646
Share premium account		**23,176**	19,492
Capital redemption reserve		**221**	221
Treasury share reserve		**(2,048)**	(1,866)
Capital reserve		**-**	(372)
Investment holding gains (losses) reserve		**7,432**	11,780
Special reserve		**2,408**	2,408
Revenue reserve		**2,666**	5,863
Total Shareholders' equity		**37,894**	41,172
Basic and diluted Net Asset Value per Ordinary share	6	**99.6p**	120.0p

Statement of Changes In Equity

For the year ended 31 March 2012

	Share capital	Share premium account	Capital redemption reserve	Treasury share reserve	Capital reserve	Investment holding gains (losses) reserve	Special reserve	Revenue reserve	Total Share-holders' equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	**3,212**	**15,398**	**221**	**(1,175)**	**93**	**1,558**	**2,408**	**7,293**	**29,008**
Revenue return for the year	-	-	-	-	-	-	-	*616*	*616*
Capital expenses	-	-	-	-	*(516)*	-	-	-	*(516)*
Gain on investments held at fair value	-	-	-	-	-	*10,254*	-	-	*10,254*
Gain on disposal of investments in the year	-	-	-	-	*19*	-	-	-	*19*
Total comprehensive income for the year	-	-	-	-	(497)	10,254	-	616	10,373
Issue of share capital	*407*	*4,030*	-	-	-	-	-		*4,437*
Issue Costs	-	*(149)*	-	-	-	-	-	-	*(149)*
Issue of share capital - DRIS	*27*	*213*	-	-	-	-	-	-	*240*
Purchase of own Ordinary Shares	-	-	-	*(691)*	-	-	-	-	*(691)*
Dividends	-	-	-	-	-	-	-	*(2,046)*	*(2,046)*
Total transactions with owners	434	4,094	-	(691)	-	-	-	(2,046)	1,791
Realisation of prior year investment holding gains	-	-	-	-	32	(32)	-	-	-
Balance at 31 March 2011	**3,646**	**19,492**	**221**	**(1,866)**	**(372)**	**11,780**	**2,408**	**5,863**	**41,172**
Revenue return for the year	-	-	-	-	-	-	-	*675*	*675*
Capital expenses	-	-	-	-	*(1,955)*	-	-	-	*(1,955)*
Gain on investments held at fair value	-	-	-	-	-	*166*	-	-	*166*
Gain on disposal of investments in the year	-	-	-	-	*2,178*	-	-	-	*2,178*
Total comprehensive income for the year	-	-	-	-	223	166	-	675	1,064
Issue of share capital	*250*	*2,647*	-	-	-	-	-	-	*2,897*
Issue costs	-	*(173)*	-	-	-	-	-	-	*(173)*
Issue of share capital - DRIS	*143*	*1,210*	-	-	-	-	-	-	*1,353*
Purchase of own Ordinary shares	-	-	-	*(182)*	-	-	-	-	*(182)*
Dividends	-	-	-	-	*(4,365)*	-	-	*(3,872)*	*(8,237)*
Total transactions with owners	393	3,684	-	(182)	(4,365)	-	-	(3,872)	(4,342)
Realisation of prior year investment holding gains	-	-	-	-	4,514	(4,514)	-	-	-
Balance at 31 March 2012	**4,039**	**23,176**	**221**	**(2,048)**	-	**7,432**	**2,408**	**2,666**	**37,894**

The treasury share reserve was created for the purchase and holding of the Company's own shares. The capital redemption reserve was created for the purchase and cancellation of the Company's own shares.

The capital reserve includes gains and losses compared to cost on the disposal of investments, capital expenses, together with the related taxation effect and capital dividends paid to Shareholders.

The investment holding gains (losses) reserve includes increases and decreases in the valuation of investments held at fair value. This is a non-distributable reserve.

The special reserve was created following approval of the Court and a resolution of the Shareholders passed on 16 July 1999 to cancel the Company's share premium account.

The special reserve, capital reserve, revenue reserve and treasury reserve are all distributable reserves. These reserves total £3,026,000 (2011: £6,033,000) representing a decrease of £3,007,000 (2011: £2,586,000 decrease) during the year. This change arises from the profit in the year of £898,000 (2011: £119,000), a movement in the investment gains (losses) reserve of £4,514,000 (2011: £32,000), dividends of £8,237,000 (2011: £2,046,000) and the purchase of own Ordinary shares of £182,000 (2011: £691,000). The directors also take into account the level of the investment holding gains (losses) reserve when determining the level of dividend payments.

Statement of Cash Flows

For the year ended 31 March 2012

	2012	2011
	£000	£000
Net cash (outflow) inflow from operating activities	**(111)**	717
Cash flows from (used in) investing activities		
Cash placed on fixed term deposit	**(5,000)**	-
Purchase of financial assets at fair value through profit or loss	**(3,000)**	(6,802)
Proceeds from sale of financial assets at fair value through profit or loss	**17,024**	5,588
Net cash from (used in) investing activities	**9,024**	(1,214)
Cash flows (used in) from financing activities		
Issue of Ordinary shares	**2,897**	4,677
Cost of Ordinary share issue	**(178)**	(149)
Purchase of own Ordinary shares	**(490)**	(691)
Dividends paid	**(6,884)**	(2,046)
Net cash (used in) from financing activities	**(4,655)**	1,791
Net increase in cash and cash equivalents	**4,258**	1,294
Cash and cash equivalents at the beginning of the year	**3,114**	1,820
Cash and cash equivalents at the end of the year	**7,372**	3,114

Reconciliation of Profit before Taxation to Net Cash (Outflow) Inflow from Operating Activities

	2012	2011
	£000	£000
Profit before taxation	**1,064**	10,373
(Increase) decrease in trade and other receivables	**(59)**	1,696
Increase (decrease) in trade and other payables	**1,239**	(1,079)
Profit on disposal of investments in the year	**(2,178)**	(19)
Profit on investments held at fair value	**(166)**	(10,254)
Capitalised interest	**(11)**	-
Net cash (outflow) inflow from operating activities	**(111)**	717

Notes

1. Basis of Accounting

This announcement of the annual results of the Company for the year ended 31 March 2012 has been prepared using accounting policies consistent with those adopted in the full audited financial statements which have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements have been prepared under the historical cost convention as modified by the measurement of investments and quoted Government Securities at fair value through profit or loss.

In addition 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 IFRSs, the financial statements have been prepared in compliance with the recommendations of the SORP.

Segmental reporting has been determined by the directors based upon the reports reviewed by the Board. The directors are of the opinion that the Company has engaged in a single operating segment - investing in equity and debt securities within the United Kingdom - and therefore no reportable segmental analysis is provided.

2. Income

	2012	2011
Income from investments:	**£000**	£000
Dividends from unquoted companies	**353**	214
Dividends from quoted companies	**69**	75
	422	289
Interest on loans to unquoted companies	**506**	435
Fixed interest Government securities	**155**	436
Income from investments held at fair value through profit or loss	**1,083**	1,160
Interest on deposits	**153**	14
	1,236	1,174

3. Taxation

	2012			2011		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Profit before taxation	**739**	**325**	**1,064**	702	9,671	10,373
Profit before taxation multiplied by standard small company rate of corporation tax in UK of 20%	**148**	**65**	**213**	147	2,031	2,178
Effect of:						
UK dividends received	**(84)**	**-**	**(84)**	(61)	-	(61)
Non taxable profits on investments	**-**	**(469)**	**(469)**	-	(2,157)	(2,157)
Excess management expenses	**-**	**340**	**340**	-	40	40
Tax charge (credit)	**64**	**(64)**	**-**	86	(86)	-

The Company has no provided or unprovided deferred tax liability in either year.

Deferred tax assets of £635,000 (2011: £295,000) calculated at 20% in respect of unrelieved management expenses (£3.2 million as at 31 March 2012) 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 for 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:

	2012			2011		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£000	**£000**	**£000**	£000	£000	£000
Final dividend for the year ended 31 March 2011 of 3.0p per Ordinary share paid 22 August 2011 (2011: 3.0p per Ordinary share) and	**1,072**	**-**	**1,072**	983	-	983
Special dividend 18.0p per Ordinary share paid on 22 August 2011 (2011: 1.25p per Ordinary share)	**2,064**	**4,365**	**6,429**	410	-	410
Interim dividend 2.0p per Ordinary share paid on 20 January 2012 (2011: 2.0p per Ordinary share)	**736**	**-**	**736**	653	-	653
	3,872	**4,365**	**8,237**	2,046	-	2,046
Shares issued under the DRIS			**(1,353)**			
Dividends paid in Statement of Cash Flows			**6,884**			

The interim dividend of 2.0 pence per Ordinary share was paid on 20 January 2012 to Shareholders on the register at 23 December 2011.

The special dividend of 18.0 pence per Ordinary share was paid on 22 August 2011 to Shareholders on the register at 22 July 2011.

A final dividend of 3.0 pence per Ordinary share in respect of the year to 31 March 2012, amounting to £1,187,000, has been proposed. This has not been recognised in the year ended 31 March 2012 as the obligation did not exist at the balance sheet date.

5. Basic and Diluted Earnings per Ordinary Share

The basic and diluted earnings per Ordinary share is based on the profit after tax attributable to equity Shareholders of £1,064,000 (2011: £10,373,000) and 36,441,889 (2011: 33,051,075) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

The basic and diluted revenue return per Ordinary share is based on the revenue profit for the year attributable to equity Shareholders after tax of £675,000 (2011: £616,000) and 36,441,889 (2011: 33,051,075) Ordinary shares being the weighted average number of Ordinary shares in issue during the year.

The basic and diluted capital return per Ordinary share is based on the capital profit for the year after tax attributable to equity Shareholders of £389,000 (2011: £9,757,000) and 36,441,889 (2011: 33,051,075) Ordinary shares being the weighted average number of Ordinary shares in issue during the year.

During the year the Company issued 3,932,440 new Ordinary shares. The Company also repurchased 199,200 of its own Ordinary shares, which are held in treasury.

Treasury shares have been excluded in calculating the weighted average number of Ordinary shares during the year. The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted earnings per Ordinary share are the same.

After the year end the Company issued 1,531,778 new Ordinary shares. If these Ordinary shares had been issued on 31 March 2012 the weighted average number of Ordinary shares in issue during the year would have been 36,446,034 and there would have been no change in the basic and diluted earnings per Ordinary share figures shown at the foot of the Statement of Comprehensive Income.

6. 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 £37,894,000 (2011: £41,172,000) and 38,033,720 (2011: 34,300,480) Ordinary shares in issue at the year end, excluding treasury shares.

The 2,360,485 (2011: 2,161,285) treasury shares have been excluded in calculating the number of Ordinary shares in issue at 31 March 2012. The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted Net Asset Values per Ordinary share are the same.

7. Total Return per Ordinary Share

The Total Return per Ordinary share is calculated on cumulative dividends paid of 79.2 pence per Ordinary share (2011: 56.2 pence per Ordinary share) plus the Net Asset Value as calculated per note 6.

8. Related Party Transactions

The Company has not entered into any related party transactions that have had a material impact on its financial position or performance in the year to 31 March 2012. Full details of related party transactions are shown in note 17 of the Annual Report and Accounts which can be obtained as described in note 11.

9. Events after the Balance Sheet Date

On 3 April 2012 the Company completed an investment of £2.5 million into Seven Technologies Limited, a Northern Irish engineering business that specialises in developing and manufacturing bespoke electronics and communications applications for operation in inhospitable environments for a wide range of international clients.

On 3 April 2012 the Company completed an investment of £1.0 million into Fairlight Bridge Limited to back a highly experienced manager to invest in underperforming and turnaround situations particularly in the Midlands area.

Also, on 5 April 2012 the Company allotted 1,531,778 new Ordinary shares of 10 pence each at a price of 99.75 pence per Ordinary share in respect of valid subscriptions received and accepted by the Company on or after 21 March 2012 and by 11:00am on Thursday 5 April 2012 pursuant to the Offer for Subscription launched on 6 March 2012.

10. Financial Information

The financial information set out here for the year ended 31 March 2012 does not constitute full statutory financial statements as defined in section 435 of the Companies Act 2006 but has been extracted from the Company's financial statements for that period. Statutory accounts for the year ended 31 March 2012 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 20 July 2012. Those accounts were reported upon without qualification by the independent auditor and their report was reported on without qualification and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

11. Annual Report and Accounts

Copies of the Annual Report and Accounts for the year ended 31 March 2012 have been submitted to the National Storage Mechanism and will shortly be available to the public for viewing online at www.hemscott.com/msn/do. They can also be viewed on the Fund Manager's website at www.yfmep.com. Hard copies of the Annual Report and Accounts for the year ended 31 March 2012 will be distributed by post to Shareholders and will be available thereafter to members of the public from the Company's registered office.

12. Directors

The directors of the Company are: Ms H Sinclair, Mr P S Cammerman and Mr C W E R Buchan.

13. Annual General Meeting

The Annual General Meeting of the Company will be held at 33 St James Square, London, SW1Y 4JS, on 20 July 2012 at 12.00 noon.

For further information, please contact:

David Hall	YFM Private Equity Limited	Tel: 0113 294 5055
Claes Spang	Singer Capital Markets	Tel: 0203 205 7500