

# British Smaller Companies VCT2 plc

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## Interim Report

for the 6 months ended 30 June 2012



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## Advisers to the Company

### Directors

Richard Last  
Robert Martin Pettigrew  
Peter Charles Waller

### Fund Manager

#### **YFM Private Equity Limited**

Saint Martins House  
210-212 Chapeltown Road  
Leeds LS7 4HZ

### Registrars

#### **Capita Registrars**

The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4BR

### Solicitors

#### **hlw Keeble Hawson LLP**

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16-17 East Parade  
Leeds LS1 2BR

### Secretary and Registered Office

#### **KHM Secretarial Services Limited**

Old Cathedral Vicarage  
St James Row  
Sheffield S1 1XA

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London W1S 1AX

### Fixed Interest Securities Adviser

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Leeds LS1 4LX

### Independent Auditor

#### **Grant Thornton UK LLP**

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Sheffield  
South Yorkshire S8 0XF

### VCT Status and Tax Adviser

#### **PricewaterhouseCoopers LLP**

1 Embankment Place  
London WC2N 6RH

### Bankers

#### **The Royal Bank of Scotland plc**

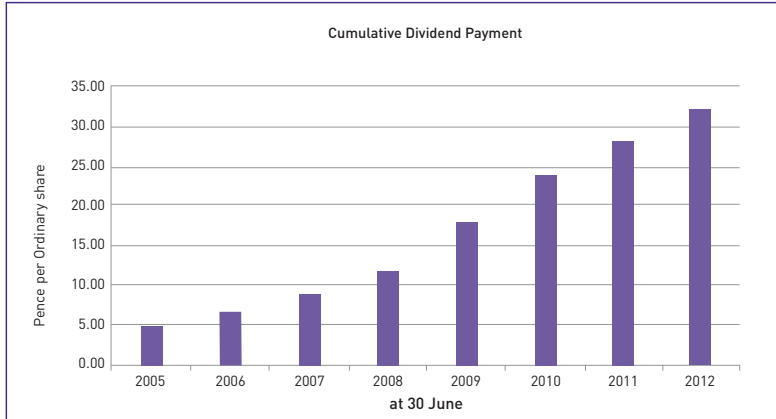
27 Park Row  
Leeds LS1 5QB

# Financial Highlights

For the 6 months ended 30 June 2012

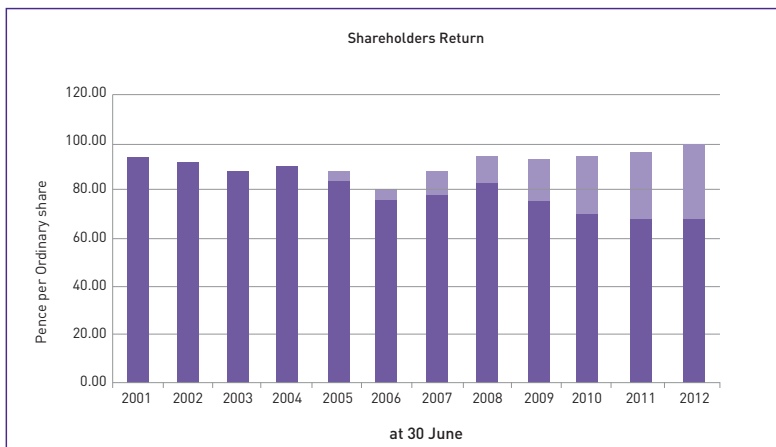
The Total Return as at 30 June 2012 to those Shareholders who invested in the first round of fundraising is 100.0 pence per Ordinary share. This compares to 96.0 pence per Ordinary share at 30 June 2011 and 98.5 pence per Ordinary share at 31 December 2011.

The chart below shows the cumulative dividend paid to Shareholders.



Cumulative Dividend Paid per Ordinary share

The second chart shows how the Total Return, calculated by reference to the Net Asset Value per Ordinary share plus cumulative dividends paid per Ordinary share, has developed over the years since inception.



Cumulative Dividend Paid per Ordinary share    NAV per Ordinary share

# Chairman's Statement

I am pleased to report another very strong trading period for your Company in the six months to 30 June 2012 with further portfolio value growth of 8.6% and £10.1 million of new funds raised through a new share subscription.

On 13 August 2012 we reported the successful trade sale of Primal Pictures Limited to an undisclosed buyer which delivered a value uplift of £0.95 million since 31 December 2011 and an overall cash return of 2.2 times original investment cost.

I am pleased to follow this with news of another successful exit from the portfolio with Sirigen Group Limited completing a trade sale to Becton, Dickinson & Company on 24 August 2012, which has resulted in crystallised additional value growth of £0.6 million since the start of the year and an overall cash return of 2.8 times original investment cost. These results are particularly pleasing in light of the challenging economic times and prove that it is still possible to make strong returns by backing small businesses with a competitive advantage in their niche market.

The recent Offer for Subscription which closed on 5 April 2012 raised a total of £10.1 million net of costs, consequently the Company remains well placed to take advantage of growing investment activity levels

The Total Return to Shareholders as at 30 June 2012 is 100.0 pence per Ordinary share, representing a year to date increase of 1.5 pence from the 98.5 pence per Ordinary share at 31 December 2011 and an increase of 4.1 pence over the 12 month period since 30 June 2011. Total Return to Shareholders includes cumulative dividends paid which now stands at 32.0 pence per Ordinary share.

The Net Asset Value at 30 June 2012 is 68.0 pence per Ordinary share (68.5 pence per Ordinary share at 31 December 2011), which reflects an increase in the portfolio value of 2.3 pence per Ordinary share and gains on disposals of 0.2 pence per Ordinary share offset by the payment of a 2.0 pence per Ordinary share final dividend paid in May 2012 and the dilutive impact of new shares issued.

## Interim Management Report

Over the six month period to 30 June 2012 the Company has seen an increase in investment levels with a total of £2.5 million invested (compared to £1.2 million in the 6 months to 30 June 2011), £2.3 million into 3 new opportunities and £0.2 million into 2 existing portfolio companies. The first of the new opportunities was £0.7 million invested in January 2012 as part of the management buyout of the retail display group Displayplan Holdings Limited from its US parent company. In March 2012 £0.3 million was invested as part of the £2 million buyout of Selima Limited, a supplier of payroll and expenses software predominantly to public sector customers. Finally, in April 2012 £1.3 million was invested into Seven Technologies Holdings Limited, a Northern Irish engineering business that specialises in developing and manufacturing bespoke electronics and communications applications for operation in inhospitable environments.

The first follow-on deal was a £0.06 million investment into the fluorescent labelling technology group, Sirigen Group Limited, as part of a £1 million internal growth round in February 2012. Secondly, £0.15 million was invested into AIM-listed EKF Diagnostics Holdings plc in March 2012, which reported strong progress towards building a profitable international diagnostics group.

Investment rates have continued to increase following the period end, with an additional £1.97 million having been invested to date. A follow-on investment of £0.9 million has been made into Immunobiology Limited, as part of a £3.0 million round including new external investors, to take its innovative vaccine programme into human clinical trials. An additional £0.16 million has been invested into Vianet Group plc which has made good progress in diversifying its remote monitoring solutions for the brewing, fuel solution and remote vending sectors. A new investment of £0.13 million has been made into Hargreaves Services plc which is involved in sourcing and supply of solid fuel for the UK power industry. A new investment of £0.78 million has been made into Insider Technologies Limited to fund the buy-out of the company, which provides monitoring

and scheduling software for the financial service and security sectors.

Against the backdrop of ongoing economic challenges the Company remains focused on building a strong and diversified portfolio, whilst also looking to improve levels of portfolio income. Significant positive steps have been made in this regard. Excluding the new investments and a slight decrease in the value of gilts, the underlying value of the opening portfolio has grown by £0.93 million (8.6%) over the six months to 30 June 2012.

Whilst there were no significant realisations from the portfolio in the period, the Company has received £0.54 million of proceeds following the full and partial disposal of investments in 5 portfolio companies and an additional £0.05 million of deferred consideration in relation to the sale of DXS Limited in 2009. Following the period end the Company has completed two significant realisations through the trade sales of Primal Pictures Limited and Sirigen Group Limited. Primal Pictures Limited, a supplier of 3D human anatomical images and training materials, has been sold to an undisclosed international publishing group. This has resulted in £1.82 million, at completion, of cash proceeds to the Company, a profit of £0.95 million over the 31 December 2011 valuation and resulting in a cash multiple of 2.2 on cost over the life of the investment. Sirigen Group Limited, a supplier of innovative fluorescent marking technology, has been sold to the US-based diagnostics group Becton, Dickinson & Company. At completion this delivered £1.45 million of cash proceeds, an increase of £0.66 million on the 31 December 2011 value and a cash multiple of 2.8x cost, with further deferred consideration anticipated.

Other portfolio companies have made good progress. Digital Healthcare Limited has made positive progress in integrating its 2011 acquisition of retinal screening supplier, Orion Imaging Limited, and has started to deliver the expected synergy benefits. Port operator RMS Group Holdings Limited has completed the refinancing of all remaining institutional loans ahead of schedule. Strong progress has been made for the Company's two retail rollout investments with branded kitchen manufacturer Harvey Jones Limited increasing to 25 stores and coffee bar operator Bagel Nash Limited completing a profitable first year and highlighting locations for its first new shops. The £3.0 million further funding round into

Immunobiology Limited is a significant positive step in commercialising its vaccine technology although the low pricing of this round (from which the Company has also benefited through its recent investment) has resulted in a value fall of £0.51 million for the existing holding.

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 December 2011. In summary, the principal risks are:

- 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 December 2011 on page 24, a copy of which can be found at [www.yfmp.com](http://www.yfmp.com)

## Financial Results

The result for the six months ended 30 June 2012 produced a revenue profit before tax of £47,000 and a capital profit before tax of £802,000 (2011: profit of £2,000 and profit of £473,000 respectively). It is pleasing to see a strong improvement in the aggregate value of investments over the six months to 30 June 2012 of £881,000. The income from the portfolio of £258,000 also represents an increase of £80,000 on the same period in 2011 and the Fund Manager will continue to make investments to gradually improve the income generation from the portfolio.

The movement in Net Asset Value per Ordinary share is as follows:

	Pence/Ordinary share
31 December 2011	68.5
Dividends paid in period	(2.0)
Net Increase in value	1.5
30 June 2012	68.0

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Following the new funds raised this year, cash and investment in gilts at 30 June 2012 totalled £13.0 million (June 2011: £6.85 million), representing 50% (June 2011: 43%) of Net Asset Value before taking account of any interim dividend. The Board considers that in the short term this is sufficient to support the current portfolio and to continue its investment strategy in selective new opportunities.

## Shareholder Relations

The last six months has seen the Company's investment capacity increase through the issue of 14,983,236 shares pursuant to the recently closed "Offer for Subscription", raising £10.1 million net of costs. In addition the Company issued 20,611 shares as part of the dividend reinvestment scheme on 22 May 2012. The Board believes that the coming 12-24 months will see increasing investment opportunities and will continue to consider the opportunity to raise further funding in the months ahead to enable the Company to take advantage of this and continue to build a strong, balanced portfolio.

The Board remains committed to the objective of achieving a consistent dividend stream. Following the 2011 year end a dividend of 2.0 pence per Ordinary share was paid on 22 May 2012, this commitment has been continued in these interim results with your Board determining that an interim dividend of 2.5 pence per Ordinary share will be paid on 26 October 2012 to Shareholders on the register as at 28 September 2012.

## Regulatory and Other Matters

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 and the Finance Bill gaining Royal Assent, changes have been made to the "qualifying company" limits effective from 6 April 2012. 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 currently have any funds to which this rule applies.

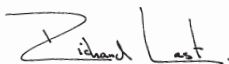
Overall the Board believes these changes are a positive step and are expected to significantly increase the level and scale of investment opportunities available to the Company over the coming years.

## 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 and have been able to take advantage of changes in their markets. We hope to see this trend continue as economic conditions gradually improve.

Whilst the year ahead will continue to present challenges 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 future.

The Board remains of the opinion that the forthcoming period will see many good investment opportunities, both for the portfolio businesses and for new investments. It was with this in mind that we increased the investment capacity of the Company and we will consider the opportunity to further increase funds in the coming months.



**Richard Last**  
Chairman  
29 August 2012

# Investment Portfolio

Name of Company	Date of Initial Investment	Location	Industry Sector	Current Cost*	Realised Proceeds to Date	Investment Valuation at 30 June 2012	Realised and Unrealised to Date
				£000	£000	£000	£000
<b>Current Investments</b>							
Primal Pictures Limited **	Dec-05	London	Medical Software	862	342	1,889	2,231
Sirigen Group Limited **	Oct-10	Hampshire	Medical Diagnostics	517	-	1,580	1,580
Seven Technologies Holdings Limited	May-12	N. Ireland	Manufacturing	1,262	-	1,262	1,262
Deep-Secure Ltd	Dec-09	Malvern	Security Software	500	-	1,197	1,197
Digital Healthcare Limited	Jun-05	Cambridge	Medical Instruments	3,072	-	1,155	1,155
Displayplan Holdings Limited	Jan-12	Hertfordshire	Retail Design	700	-	700	700
Bluebell Telecom Group Limited	Sep-10	Newcastle	Telecommunications	500	-	578	578
PowerOasis Limited	Nov-11	Swindon	Energy Infrastructure	500	-	500	500
Waterfall Services Limited	Feb-07	Warrington	Food Services	192	292	427	719
Bagel Nash Limited	Jul-11	Leeds	Retail Bakery	410	-	407	407
Harvey Jones Holdings Limited	May-07	London	Consumer Retail	389	-	400	400
Iomart Group plc	May-11	Glasgow	Internet Services	198	-	336	336
Pressure Technologies plc	Jun-07	Sheffield	Manufacturing	300	-	310	310
Selima Limited	Mar-12	Sheffield	Payroll Software	300	-	300	300
Brady plc	Dec-10	Cambridge	Commodities Software	179	86	249	335
EKF Diagnostics Holdings plc	Jun-11	London	Pharmaceuticals	223	-	234	234
Cambridge Cognition Limited	May-02	Cambridge	Medical Software	240	-	218	218
RMS Group Holdings Limited	Jul-07	Goole	Industrial Services	70	305	207	512
Tikit Group plc	Jun-11	London	Legal Services Software	184	17	200	217
TeraView Limited	Dec-11	Cambridge	Medical Instruments	375	-	187	187
May Gurney Integrated Services plc	Jun-11	Norwich	Maintenance Services	212	-	180	180
Optos plc	Dec-05	Dunfermline	Medical Instruments	80	167	159	326
Immunobiology Limited	Jun-03	Cambridge	Pharmaceuticals	1,032	-	87	87
Zergo Group plc	May-11	Manchester	Marketing Services	197	-	73	73
Vianet Group plc (formerly Brulines Group plc)	Oct-06	Stockton-on-Tees	Electronics	81	-	66	66
Tissuemed Limited	Dec-05	Leeds	Healthcare	48	-	60	60
Ellfin Home Care Limited	Dec-07	Oldham	Healthcare	317	-	47	47
Allergy Therapeutics plc	Oct-04	Worthing	Biotechnology	350	-	36	36
Oxis Energy Limited	Dec-05	Abingdon	Electronics	5	-	-	-
Intelligent Recordings Limited	Sep-08	Nottingham	Electronics	-	-	-	-
Solcom Limited	Dec-05	Ryde	Software	-	-	-	-
				<b>13,295</b>	<b>1,209</b>	<b>13,044</b>	<b>14,253</b>
Full realisations to date				9,751	14,735	-	14,735
<b>Total realised and unrealised to date</b>				<b>23,046</b>	<b>15,944</b>	<b>13,044</b>	<b>28,988</b>

\* Original or acquired cost where the investment was acquired at the fair value ascribed to it at the time of the acquisition of British Smaller Technology Companies VCT plc.

\*\* Following the 30 June 2012 these holdings were sold and will appear as realised investments on the year end statutory accounts.

Name of Company	Date of Initial Investment	Location	Industry Sector	Original Cost*	Realised to Date	Realised Profit (Loss)
				£000	£000	£000
<b>Realised Investments</b>						
DxS Limited	Apr-04	Manchester	Healthcare	163	2,588	2,425
Sarian Systems Limited	Dec-05	Ilkley	Telecoms	928	2,605	1,677
Amino Technologies plc	Sep-01	Cambridge	Electronics	415	1,875	1,460
Cozart plc	Jul-04	Abingdon	Healthcare	1,566	2,983	1,417
Vibration Technology Limited	Mar-02	Glasgow	Industrial	1,061	2,328	1,267
The ART Technology Group Inc	Apr-03	Washington, USA	Software	275	638	363
Tamesis Limited	Jul-01	London	Software	150	317	167
Voxar Limited	Dec-05	Edinburgh	Software	-	134	134
Tekton Group Limited	Dec-05	Manchester	Software	100	223	123
Arakis Limited	Mar-04	Essex	Healthcare	14	108	94
Hallco 1390 Limited	Dec-06	Manchester	Software	1	77	76
Group NBT plc	May-11	London	Internet Services	197	256	59
Oxonica plc	May-02	Oxford	Chemical	241	258	17
SoseiCo Limited	Aug-05	Toyko, Japan	Healthcare	158	94	(64)
Patsystems plc	Oct-07	London	Healthcare	317	164	(153)
Sirus Pharmaceuticals Limited	Sep-01	Cambridge	Healthcare	270	14	(256)
Infinite Data Storage Limited**	Mar-02	Dunfermline	Software	425	-	(425)
Purely Proteins Limited	Nov-03	Cambridge	Software	438	-	(438)
ExpressOn Biosystems Limited**	Oct-02	Midlothian	Healthcare	450	-	(450)
Broadreach Networks Limited**	Feb-03	London	Telecoms	550	17	(533)
Convergent Limited**	Dec-05	Nottingham	Software	611	-	(611)
Hallco 1389 Limited	Dec-06	Manchester	Software	49	49	-
Focus Solutions Group plc	Dec-05	Leamington Spa	Software	7	7	-
Silistix Limited	Dec-03	Manchester	Electronics	1,365	-	(1,365)
<b>Total realised to date</b>				<b>9,751</b>	<b>14,735</b>	<b>4,985</b>

\* Original or acquired cost where the investment was acquired at the fair value ascribed to it at the time of the acquisition of British Smaller Technology Companies VCT plc.

\*\* In receivership



# Top 15 Investments

## Primal Pictures Limited

London  
[www.primalpictures.com](http://www.primalpictures.com)

**Primal Pictures** has developed a complete range of high quality anatomical CD-ROMs aimed at healthcare professionals, ranging from medical students to orthopaedic surgeons. Images derived from X-ray, magnetic resonance and other scan data have enabled the production of a

completely authentic anatomical model of the human body. The company has significantly expanded its business development activities to a range of healthcare and education markets, also developing recurring licence revenues from reseller partners.

## Sirigen Group Limited

Hampshire  
[www.sirigen.com](http://www.sirigen.com)

**Sirigen** produces fluorescent reagents that improve the efficiency of analysis of the effectiveness of certain drugs. Sirigen's versatile HSF™ technology simplifies sample processing and instrumentation requirements in both immunodiagnostic and nucleic acid based

applications, facilitating high volume screening in theradiagnostics and other personal care applications. Sirigen's innovative technology is now integrated into a range of commercially available products.

## Seven Technologies Holdings Limited

County Antrim  
[www.seventechnologies.co.uk](http://www.seventechnologies.co.uk)

**Seven Technologies** is a fast growing specialist engineering business based in Northern Ireland specialising in the development and manufacture of bespoke electronics and communications applications for operation in inhospitable environments. The strategy is to maintain the

impressive expansion to date through increasing the company's international presence and significantly growing average contract sizes, in what is now a significant international market for its products.

## Deep-Secure Ltd

Malvern  
[www.deep-secure.com](http://www.deep-secure.com)

**Deep-Secure's** market leading products protect against threats to IT security via high security network border gateway technology, which enables customers to maintain network separation and apply content inspection so as to defend sensitive and protected information from intruders. As working practices change and more

information is shared electronically, increasing levels of exposure to leakage and attack demands more businesses rely on higher levels of security to protect their data, with main customers being international governments, cross border forces and defence sectors. Profit levels have grown strongly since the Company's investment in 2009.

## Digital Healthcare Limited

Cambridge  
[www.digital-healthcare.co.uk](http://www.digital-healthcare.co.uk)

**Digital Healthcare** has developed software for the management of digital images in the diabetic screening, ophthalmology and optometric markets. It has developed its UK business becoming the leading supplier of diabetic

retinopathy screening software to the NHS. Digital Healthcare completed the acquisition in 2011 of the number two player, Orion Limited, supported by the National Screening Council.

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## Displayplan Holdings Limited

Baldock, Herts  
[www.displayplan.com](http://www.displayplan.com)

In January 2012 an investment was made to support the management buy-out of **Displayplan Holdings Limited**. Displayplan provides a complete retail display consultancy service from concept through design and sourcing to finished

product delivery to established branded product manufacturers and UK retailers. Typical products include bespoke point of purchase (POP) stands in high street retail stores.

## Bluebell Telecom Group Limited

Newcastle  
[www.bluebelltelecom.com](http://www.bluebelltelecom.com)

**Bluebell** is a telecommunications service provider that aggregates a range of services including fixed line, mobile and data to UK businesses. The Company's investment in 2010

was made to fund the acquisition of Callstream, which has been successfully integrated, and a further acquisition of Worldwide ISDN was completed in 2011.

## PowerOasis Limited

Swindon  
[www.power-oasis.com](http://www.power-oasis.com)

**PowerOasis** is a leader in power management and energy efficiency solutions for wireless operators. It has developed an innovative wireless network power management software platform that remotely monitors, controls and manages the supply of power to base station sites that lack a reliable electricity grid in the Middle East and

Africa. PowerOasis is an energy partner for two of the world's largest network equipment providers and some of the world's largest mobile telecom operators, which use PowerOasis technology to reduce the operating cost of power while dramatically improving network availability.

## Waterfall Services Limited

Warrington  
[www.caterplus.co.uk](http://www.caterplus.co.uk)

**Waterfall** is a contract caterer specialising in the care home sector. Since the original investment in 2007 the company has expanded its original catering services business from supplying residential and care homes to supplying the educational market. There has been both organic

and acquisitive growth which has broadened and diversified the customer base with significant progress being made in expanding the services provided to both the education and care home sectors.

## Bagel Nash Group Limited

Leeds  
[www.bagelnash.com](http://www.bagelnash.com)

**Bagel Nash** is an established operator of 11 espresso and bagel bars in Leeds, Manchester, York and Huddersfield and also runs a bakery supplying products to its own stores and the UK

wholesale trade. An experienced team completed the buy-in during July 2011 and value growth is expected via a retail rollout strategy with the first new sites having now been identified.

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## Harvey Jones Holdings Limited

London  
www.harveyjones.com

**Harvey Jones** is a manufacturer/retailer of kitchen furniture. The business has a manufacturing facility in the UK and stores in London and affluent provincial towns and cities principally in the South of England. Its strong brand positioning has helped Harvey Jones to retain volumes through the economic downturn.

The business has continued to selectively open new stores increasing its footprint to 25 from 10 at the time of investment. This increased market share coupled with a low level of gearing positions Harvey Jones well to benefit as market conditions improve.

## Iomart Group plc

Glasgow  
www.iomart.com

**Iomart Group** is one of Europe's leading providers of managed hosting and cloud computing services. Iomart Group Specialises in the design, delivery and management of business-critical

hosting services enabling companies and organisations to reduce the cost, complexity and risks associated with maintaining their own web and online applications.

## Pressure Technologies plc

Sheffield  
www.pressuretechnologies.com

**Pressure Technologies** was admitted to AiM in June 2007. It specialises in the manufacture of ultra-large high pressure cylinders for the offshore oil and gas industry but is increasingly

diversifying through acquisitions into other sectors, such as biogas and defence. The balance sheet remains ungeared with £2-3 million of surplus cash.

## Selima Limited

Sheffield  
www.selima.co.uk

**Selima** is headquartered in Sheffield with over 40 staff and, was established in 1983. It has considerable experience of deploying comprehensive solutions and bureau services that save organisations significant sums of money. Selima's customers include Bristol City

Council, Young's Brewery and Greater Manchester Police. The investment will primarily be used for expanding the business including improvements to services for new and existing clients and the introduction of new, innovative products.

## Brady plc

Cambridge  
www.bradyplc.com

AiM-listed **Brady plc** develops and provides trading and risk management systems. In December 2010 it acquired Viz Risk Management, which is a leading supplier of trading and risk

management software for the energy markets. This is in addition to Brady's market leading position in software for trading metals and commodities.

# Statement of Comprehensive Income

For the 6 months ended 30 June 2012

	Notes	Unaudited 6 months ending 30 June 2012			Unaudited 6 months ending 30 June 2011		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments		-	76	76	-	7	7
Gains on investments held at fair value		-	876	876	-	576	576
Income	2	258	-	258	178	-	178
Administrative expenses:							
Fund management fee		(50)	(150)	(200)	(36)	(110)	(146)
Other expenses		(161)	-	(161)	(140)	-	(140)
		(211)	(150)	(361)	(176)	(110)	(286)
<b>Profit before taxation</b>		<b>47</b>	<b>802</b>	<b>849</b>	<b>2</b>	<b>473</b>	<b>475</b>
Taxation	3	-	-	-	-	-	-
<b>Profit for the period attributable to equity Shareholders</b>		<b>47</b>	<b>802</b>	<b>849</b>	<b>2</b>	<b>473</b>	<b>475</b>
<b>Total comprehensive income for the period attributable to equity Shareholders</b>		<b>47</b>	<b>802</b>	<b>849</b>	<b>2</b>	<b>473</b>	<b>475</b>
<b>Basic and diluted earnings per Ordinary share</b>	5	<b>0.13p</b>	<b>2.24p</b>	<b>2.37p</b>	0.01p	2.32p	2.33p

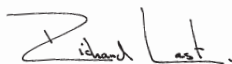
The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs'). The supplementary Revenue and Capital columns are prepared under the Statement of Recommended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

# Balance Sheet

As at 30 June 2012

	Unaudited 6 months ended 30 June 2012 £000	Unaudited 6 months ended 30 June 2011 £000	Audited year ended 31 December 2011 £000
	Notes		
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	13,044	8,684	10,209
Fixed income government securities	918	2,839	1,618
Financial assets at fair value through profit or loss	13,962	11,523	11,827
Trade and other receivables	68	281	65
	14,030	11,804	11,892
<b>Current assets</b>			
Trade and other receivables	315	173	242
Cash and cash equivalents	12,085	4,009	4,076
	12,400	4,182	4,318
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(426)	(98)	(228)
<b>Net current assets</b>	11,974	4,084	4,090
<b>Net assets</b>	26,004	15,888	15,982
<b>Shareholders' equity</b>			
Share capital	3,942	2,412	2,426
Share premium	12,993	4,346	4,427
Capital redemption reserve	88	88	88
Merger reserve	5,525	5,525	2
Other reserve	2	2	5,525
Capital reserve	2,120	2,964	2,630
Investment holding losses	(2,778)	(4,135)	(3,665)
Special reserve	4,112	4,352	4,255
Revenue reserve	-	334	294
<b>Total Shareholders' equity</b>	26,004	15,888	15,982
<b>Net Asset Value per Ordinary share</b>	6	68.0p	68.0p
		68.0p	68.5p

Signed on behalf of the Board



**Richard Last**  
Chairman

29 August 2012

# Unaudited Statement of Changes in Equity

For the 6 months ended 30 June 2012

	Share capital	Share premium account	Merger reserve	*Other reserves	Capital reserve	Investment holding gains (losses) reserve	Special reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 December 2010</b>	<b>1,785</b>	<b>810</b>	<b>5,525</b>	<b>90</b>	<b>3,587</b>	<b>(4,763)</b>	<b>4,463</b>	<b>332</b>	<b>11,829</b>
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	2	2
<i>Capital expenses</i>	-	-	-	-	(110)	-	-	-	(110)
<i>Investment holding loss on investments held at fair value</i>	-	-	-	-	-	576	-	-	576
<i>Realisation of investments in the period</i>	-	-	-	-	7	-	-	-	7
<b>Total comprehensive income for the period</b>	-	-	-	-	(103)	576	-	2	475
<i>Issue of share capital</i>	627	3,582	-	-	-	-	-	-	4,209
<i>Issue costs</i>	-	(46)	-	-	-	-	-	-	(46)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(111)	-	(111)
<i>Dividends</i>	-	-	-	-	(468)	-	-	-	(468)
<b>Total transactions with Shareholders</b>	<b>627</b>	<b>3,536</b>	<b>-</b>	<b>-</b>	<b>(468)</b>	<b>-</b>	<b>(111)</b>	<b>-</b>	<b>3,584</b>
<i>Realisation of prior year investment holding losses</i>	-	-	-	-	(52)	52	-	-	-
<b>At 30 June 2011</b>	<b>2,412</b>	<b>4,346</b>	<b>5,525</b>	<b>90</b>	<b>2,964</b>	<b>(4,135)</b>	<b>4,352</b>	<b>334</b>	<b>15,888</b>
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	(40)	(40)
<i>Capital expenses</i>	-	-	-	-	(149)	-	-	-	(149)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	536	-	-	536
<i>Gain on disposal of investments in the period</i>	-	-	-	-	218	-	-	-	218
<b>Total comprehensive income for the period</b>	-	-	-	-	69	536	-	(40)	565
<i>Issue of share capital</i>	13	280	-	-	-	-	-	-	293
<i>Issue costs</i>	-	(204)	-	-	-	-	-	-	(204)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(97)	-	(97)
<i>Issue of Shares - DRIS</i>	1	5	-	-	-	-	-	-	6
<i>Dividends</i>	-	-	-	-	(469)	-	-	346	(469)
<b>Total transactions with Shareholders</b>	<b>14</b>	<b>81</b>	<b>-</b>	<b>-</b>	<b>(469)</b>	<b>-</b>	<b>(97)</b>	<b>-</b>	<b>(471)</b>
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	66	(66)	-	-	-
<b>At 31 December 2011</b>	<b>2,426</b>	<b>4,427</b>	<b>5,525</b>	<b>90</b>	<b>2,630</b>	<b>(3,665)</b>	<b>4,255</b>	<b>294</b>	<b>15,982</b>

	Share capital	Share premium account	Merger reserve	*Other reserves	Capital reserve	Investment holding gains (losses) reserve	Special reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 December 2011</b>	<b>2,426</b>	<b>4,427</b>	<b>5,525</b>	<b>90</b>	<b>2,630</b>	<b>(3,665)</b>	<b>4,255</b>	<b>294</b>	<b>15,982</b>
<i>Revenue profit for the period</i>	-	-	-	-	-	-	-	47	47
<i>Capital expenses</i>	-	-	-	-	(150)	-	-	-	(150)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	876	-	-	876
<i>Gain on disposal of investments in the period</i>	-	-	-	-	76	-	-	-	76
<b>Total comprehensive income for the period</b>	-	-	-	-	(74)	876	-	47	849
<i>Issue of Ordinary share capital</i>	1,514	9,149	-	-	-	-	-	-	10,663
<i>Issue of Shares – DRIS</i>	2	11	-	-	-	-	-	-	13
<i>Issue costs of Ordinary shares</i>	-	(594)	-	-	-	-	-	-	(594)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(143)	-	(143)
<i>Dividends</i>	-	-	-	-	(425)	-	-	(341)	(766)
<b>Total transactions with Shareholders</b>	<b>1,516</b>	<b>8,566</b>	<b>-</b>	<b>-</b>	<b>(425)</b>	<b>-</b>	<b>(143)</b>	<b>(341)</b>	<b>9,173</b>
<i>Realisation of prior year investment holding losses</i>	-	-	-	-	(11)	11	-	-	-
<b>At 30 June 2012</b>	<b>3,942</b>	<b>12,993</b>	<b>5,525</b>	<b>90</b>	<b>2,120</b>	<b>(2,778)</b>	<b>4,112</b>	<b>-</b>	<b>26,004</b>

\* Other reserves include the capital redemption reserve and treasury reserve, which are non-distributable.

# Unaudited Statement of Cash Flows

For the 6 months ended 30 June 2012

	Unaudited 6 months ended 30 June 2012 £000	Unaudited 6 months ended 30 June 2011 £000	Audited year ended 31 December 2011 £000
<b>Net cash inflow (outflow) from operating activities</b>	<b>17</b>	(40)	(174)
<b>Cash flows from investing activities</b>			
Purchase of financial assets at fair value through profit or loss	<b>(2,467)</b>	(2,352)	(3,970)
Proceeds from sale of financial assets at fair value through profit or loss	<b>1,238</b>	2,307	4,276
Deferred consideration	<b>48</b>	-	322
<b>Net cash (used in) from investing activities</b>	<b>(1,181)</b>	(45)	628
<b>Cash flows from financing activities</b>			
Issue of Ordinary shares	<b>10,663</b>	4,210	4,502
Cost of Ordinary shares	<b>(594)</b>	(46)	(250)
Purchase of own shares	<b>(143)</b>	(111)	(208)
Dividends paid	<b>(753)</b>	(468)	(931)
<b>Net cash from financing activities</b>	<b>9,173</b>	3,585	3,113
<b>Net increase in cash and cash equivalents</b>	<b>8,009</b>	3,500	3,567
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,076</b>	509	509
<b>Cash and cash equivalents at the end of the period</b>	<b>12,085</b>	4,009	4,076



# Notes to the Unaudited Financial Statements

## 1. General information, basis of preparation and principal accounting policies

These half year statements have been approved by the directors whose names appear at note 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.
- 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 December 2011 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2011. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The accounting policies and methods of computation followed in the half year statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 December 2011, except as noted below.

The financial statements for the year ended 31 December 2011 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.

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted early in these financial statements. These include IFRS9, IFRS10, IFRS11, IFRS12, IFRS13, and IFRIC20. A full impact assessment has not yet been completed in order to assess whether these new standards will have a material impact on the financial statements.

## 2. Income

	Unaudited 6 months ended 30 June 2012 £000	Unaudited 6 months ended 30 June 2011 £000
Income from investments		
– Dividends from unquoted companies	3	3
– Dividends from AIM quoted companies	22	20
	<b>25</b>	23
– Interest on loans to unquoted companies	147	77
– Fixed interest Government securities	11	69
Income from investments held at fair value through profit or loss	183	169
Interest on bank deposits	75	9
	<b>258</b>	178

### 3. Taxation

	Unaudited 6 months ended 30 June 2012			Unaudited 6 months ended 30 June 2011		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit before taxation	47	802	849	2	473	475
Profit before taxation multiplied by standard small company rate of corporation tax in UK of 20% (2010: 20%)	9	160	169	-	95	95
<b>Effect of:</b>						
UK dividends received	(5)	-	(5)	(5)	-	(5)
Non taxable profits on investments	-	(200)	(200)	-	(117)	(117)
Excess management expenses	(4)	40	36	5	22	27
Tax (credit)/charge	-	-	-	-	-	-

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

Deferred tax assets in respect of losses have not been recognised as management do not currently believe that it is probable that sufficient taxable profits will be available against which the assets can be recovered.

Due to the Company's status as a venture capital trust, and the continued intention to meet the conditions required to comply with Chapter 3 Part 6 of the Income Tax Act 2007, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

### 4. Dividends

Amounts recognised as distributions to equity holders in the period:

	Unaudited 6 months ended 30 June 2012			Unaudited 6 months ended 30 June 2011			Audited Year ended 31 December 2011		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final paid – 2.0p per Ordinary share paid 22 May 2012	341	425	766	-	-	-	-	-	-
Final paid – 2.0p per Ordinary share paid 10 June 2011	-	-	-	-	468	468	-	468	468
Interim paid – 2.0p per Ordinary share paid 30 September 2011	-	-	-	-	-	-	-	469	469
	341	425	766	-	468	468	-	937	937

An interim dividend of 2.5 pence per Ordinary share, amounting to £956,093, is proposed. The dividend has not been recognised in these half year financial statements as the obligation did not exist at the balance sheet date.

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## 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 £849,000 (30 June 2011: profit of £475,000) and 35,885,606 (30 June 2011: 20,367,889) Ordinary shares being the weighted average number of Ordinary shares in issue during the period.

The basic and diluted revenue return per Ordinary share is based on the revenue profit attributable to equity Shareholders of £47,000 (30 June 2011: £2,000) and 35,885,606 (30 June 2011: 20,367,889) Ordinary shares being the weighted average number of Ordinary shares in issue during the period.

The basic and diluted capital return per Ordinary share is based on the capital profit attributable to equity Shareholders of £802,000 (30 June 2011: profit of £473,000) and 35,885,606 (30 June 2011: 20,367,889) Ordinary shares being the weighted average number of Ordinary shares in issue during the period.

During the period the Company allotted 20,611 new Ordinary shares in respect of its dividend reinvestment scheme and 5,080,416 new Ordinary shares under the 'Offer for Subscription'. A further 158,303 new Ordinary shares were allotted to an existing individual Shareholder.

The Company has repurchased 249,234 of its own shares in the period and these shares are held in treasury. The total of 1,178,356 treasury shares has 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 and hence basic and diluted earnings per Ordinary share are the same.

## 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 £26,004,000 (30 June 2011 and 31 December 2011: £15,888,000 and £15,982,000 respectively) and 38,243,718 (30 June 2011 and 31 December 2011: 23,359,278 and 23,330,802 respectively) Ordinary shares in issue at 30 June 2012.

The 1,178,356 (30 June 2011: 757,380) treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 June 2012. 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 share is calculated on cumulative dividends paid of 32.0 pence per Ordinary share (30 June 2011: 28.0 pence per Ordinary share and 31 December 2011: 30.0 pence per Ordinary share) plus the Net Asset Value as calculated in note 6.

## 8. Directors

The directors of the Company are: Mr R Last, Mr R M Pettigrew, and Mr P C Waller.

## 9. Other Information

Copies of the interim report can be obtained from the Company's registered office: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ or from the fund manager's website: [www.yfmep.com](http://www.yfmep.com).

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