

# British Smaller Companies VCT plc

Interim Report for the period from  
1 April 2009 to 30 September 2009



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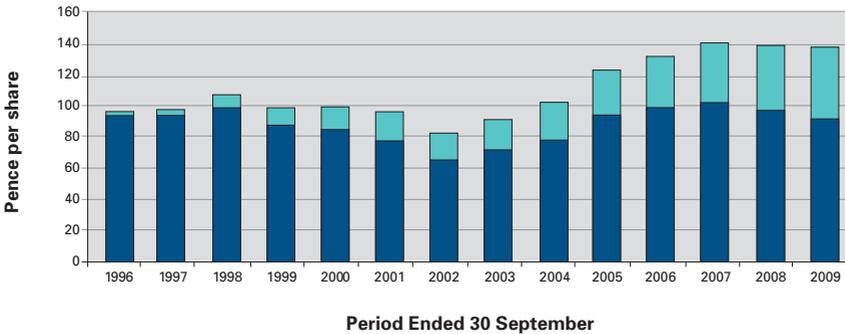
## Financial Highlights

For the 6 months ended 30 September 2009

The total return to shareholders, who invested in the first round of fundraising, at 30 September 2009 is 138.6 pence per share, this compares to 138.8 pence per share at 30 September 2008 and 130.7 pence per share at 31 March 2009.

The chart below sets out the aggregate of net asset value of the Company and the cumulative dividends paid.

**British Smaller Companies VCT plc**  
**Total Shareholder Return**



■ NAV Per Share   ■ Cumulative Dividend Paid

# Chairman's Statement

The first six months of this financial year have been characterised by a recovery in the quoted markets, a continuing decline in the UK economy as a whole and the entrepreneurial boardroom mood changing from one focussed on survival and the immediate short term to a degree of stability and medium term planning. There has been an increase in bank lending from the lows of 2008, but this is selective and on much more restricted terms than at the end of 2007.

This combination of circumstances has impacted the company's portfolio and the market for new investment in different ways. The quoted investment portfolio has seen an increase in its value of 35% over the six month period which reflects the improvements in the quoted market as a whole. As I have previously stated with respect to the unquoted portfolio your Board has adopted a cautious approach to the taking of leverage. As a consequence to date there has not been a need to inject further capital to meet the banking requirements of any of the businesses of the investments. The economic climate remains challenging and it is hoped that any such future requirements will remain at low levels for the company as a whole.

There are of course investments that continue to develop and expand even in such climates. Notably, Go Outdoors and Harvey Jones have been able to continue their expansion plans with Waterfall Services beginning to feel the full year benefits from its acquisition of Taylor Shaw made in 2008.

The market for new investments has been impacted in a number of ways. The activity levels in the unquoted market have generally followed the quoted market with some time lag. However in this instance the lack of debt, shorter term focus of management teams and vendors and the proportionately greater need for equity to fund deals has meant that the nature of the pipeline of opportunities is moving away from buy-out to business expansion by the current owner. Whilst there remains uncertainty over the speed of the recovery and level of available debt funding the expansion of businesses rather than their outright sale may come more to the fore.

Your Board remains confident in the medium and long term position of the Company and consequently we are proposing to maintain the interim dividend at 2.0 pence per share. The dividend will be paid on 7 January 2010 to shareholders on the register at 4 December 2009.

## Interim Management Report

The focus of activity has been on portfolio management as our investee companies have adjusted their activities to the economic climate. A number of new investment opportunities have been reviewed but for the reasons outlined above have not resulted in new investments being made. This has been in large part as a result of the price expectations of vendors and management teams, in addition in respect of certain sectors there has been

# Chairman's Statement

increasing uncertainty over demand, and more fragile trading which has made concluding investments more difficult. The rate of new opportunities continues to rise and it is anticipated that this will begin to translate into a further expansion of your Company's investment portfolio.

## Financial Results

The revenue profit before tax for the period was £0.35 million which compares to £0.41 million (£0.33 million excluding the one off benefit of a VAT recovery) for the same period in 2008. The capital profit before tax for the six months to September 2009 is £2.08 million which compares to a £1.16 million loss for the same period in 2008. The capital movements principally derive from movements in the value of investments as yet unrealised.

The resultant net asset value per share as at 30 September 2009 was 90.6 pence per share (31 March 2009: 85.7 pence per share). The total return (net asset value plus cumulative dividends paid) at 30 September 2009 has recovered to 138.6 pence per share (31 March 2009: 130.7 pence per share). The FTSE All-Share® index has increased by 32.8% since 31 March 2009, which compares to an increase in the underlying net asset value of the Company of 9.6% over the same period. The Company's relative growth rate reflects the proportion of the Company's assets that have been held in gilts and cash.

## Shareholder Relations

### Dividend Re-investment Scheme

Your Company continues to offer a dividend re-investment scheme. In August 11.8% of shareholders, representing £0.11 million, took the opportunity to re-invest the final dividend.

### Share Buy Backs

These are effected through the Company's broker Singer Capital Markets. During the six month period to 30 September 2009, your Company acquired 141,882 shares at a cost of £0.104 million (2008: 298,153 shares at a cost of £0.265 million). The level of share buy backs has reduced and your Board continues to keep the Company's policy under review.

### New Fundraising

Your Board believes that 2010-12 may offer a particularly strong flow of good investment opportunities. As a consequence after careful consideration your Board has determined that the Company will seek to raise further funds with a prospectus offer to be launched in 2010.

### Investor Workshop

Your Board has been committed to annual investor workshops for a number of years. The next workshop will be held on 2 February 2010 at the Natural History Museum.

# Chairman's Statement

## Other Matters

Your Board continues to monitor regulatory developments, in particular the proposed regulation in respect of alternative Investment Fund Managers. This legislation is being derived by the EU and is currently being drafted for consideration during 2010 to take effect in 2012. This proposal is only in draft form but its implementation could impact the Company largely through an increase in regulatory costs. Your Company continues to support the activities of the Association of Investment Companies (AIC) in its consideration and review of these proposals.

## Outlook

I am delighted to note that overall the portfolio has performed well over the last six months with some particularly notable strong performances. There are signs of renewed demand for equity finance and your Company is seeking to strengthen its position in order to capitalise on these opportunities as they present themselves.

I would like to thank the investors for their continued support.

**Helen Sinclair**  
**20 November 2009**

# Investment Portfolio

## Current Investments

Name of Company	Date of Initial Investment	Industry Sector	Original Cost	Realised Proceeds to Date*	Investment Valuation at 30 September 2009	Realised and Unrealised to Date	Profit on fully Realised
			£000	£000	£000	£000	£000
GO Outdoors Limited	May-98	Consumer Products	556	460	3,001	3,461	–
Connaught plc	Nov-98	Support Services	460	943	1,368	2,311	–
Waterfall Services Limited	Feb-07	Support Services	1,000	–	1,527	1,527	–
Sheet Piling (UK) Limited	Jun-00	Construction	500	410	777	1,187	–
Hargreaves Services plc	Dec-07	Industrial	469	–	701	701	–
Pressure Technologies plc	Jun-07	Industrial	425	–	623	623	–
Harvey Jones Holdings Limited	May-07	Manufacture	777	–	547	547	–
Mattioli Woods plc	Nov-05	Support Services	326	–	523	523	–
Fishawack Limited	Jan-08	Communications	500	–	508	508	–
RMS Group Holdings Limited	Jul-07	Industrial	1,050	42	374	416	–
Elffin Home Care Limited	Dec-07	Healthcare	769	–	390	390	–
Straight plc	Feb-04	Industrial	341	64	274	338	–
Images at Work Limited	Mar-99	Support Services	615	320	–	320	–
Payzone plc	Jun-02	Consumer Products	318	311	3	314	–
Primal Pictures Limited	Mar-01	Healthcare	500	–	305	305	–
Denison Mayes Group Limited	Aug-98	Industrial	700	265	35	300	–
Tikit Group plc	Jun-01	Software	226	–	268	268	–
K3 Business Technology Group plc	Apr-08	Software	402	–	249	249	–
Freshroast Coffee Co. Limited	Jul-96	Consumer Products	160	166	30	196	–
Patsystems plc	Oct-07	Software	222	–	181	181	–
Brulines plc	Oct-06	Software	163	–	152	152	–
Harris Hill Holdings Limited	Jun-07	Recruitment	600	–	112	112	–
Darwin Rhodes Group Limited	Apr-08	Recruitment	444	–	106	106	–
Belgravium Technologies plc	Oct-05	Software	200	–	50	50	–
Hexagon Human Capital plc	Feb-07	Support Services	200	–	39	39	–
Cambridge Cognition Limited	May-02	Software	325	–	–	–	–
SBS Group plc	Mar-98	Support Services	100	–	–	–	–
			<b>12,348</b>	<b>2,981</b>	<b>12,143</b>	<b>15,124</b>	<b>–</b>
Full realisations since March 2002		8,917	12,869	–	12,869	3,952	
Full realisations prior to March 2002		6,394	3,246	–	3,246	(3,148)	
<b>Total realised and unrealised to date</b>			<b>27,659</b>	<b>19,096</b>	<b>12,143</b>	<b>31,239</b>	<b>804</b>

\*Proceeds include premium and profits on loan repayments and preference redemptions

# Top 15 Investments



## GO Outdoors Limited

Sheffield  
[www.gooutdoors.co.uk](http://www.gooutdoors.co.uk)

GO Outdoors is a retailer of outdoor clothing and equipment. The original investment of £500,000 in May 1998 supported the buy out from its previous owner. The second investment in March 2002 was made in support of the company's first acquisition. The business has continued to roll out new stores during 2009. With the high profile exception of Blacks, the outdoor clothing sector has been buoyant during the year.



## Waterfall Services Limited

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

Your Company invested to support the management buy-in/management buy-out of this specialist supplier of catering services to the residential and care home sector in February 2007. Since the investment the company has expanded its original catering services business from the supply of residential and care homes to 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 services provided to the education sector.



## Connaught plc

Sidmouth  
[www.connaught.plc.uk](http://www.connaught.plc.uk)

Connaught operates as a facilities management and integrated property services group, engaged in building maintenance, light refurbishment, commercial fitting-out and electrical work and, since 2007, compliance services. The preliminary results for the year ended 31 August 2009 showed turnover up 19% to £660 million and operating profit increasing by 35% to £38.4 million. The company remains confident about further growth on the basis that the majority of the services offered are non-discretionary or mandatory.



## Sheet Piling (UK) Limited

Preston  
[www.sheetpilinguk.com](http://www.sheetpilinguk.com)

From its headquarters in Preston, Sheet Piling is one of the UK's leading driven steel piling contractors carrying out contracts throughout the UK for a variety of sectors using its 'state of the art' equipment. The strong balance sheet and extensive UK network have helped the business to remain competitive during the economic downturn.

## Top 15 Investments



### Hargreaves Services plc

Esh Winning, Durham  
[www.hargreavesservices.co.uk](http://www.hargreavesservices.co.uk)

In the years following its founding in 1994 Hargreaves established itself as the largest independent bulk haulage company in Britain. The group has a national network of depots and facilities, and specialises in supplying and processing carbon-based minerals. It also operates a colliery and a coking plant. Results for the full year to 31 May 2009 showed turnover increased by 24% to £503 million and underlying operating profit increased by 42% to £33.5 million.



### Pressure Technologies plc

Sheffield  
[www.pressuretechnologies.co.uk](http://www.pressuretechnologies.co.uk)

Pressure Technologies was admitted to the Alternative Investment Market in June 2007. It specialises in the manufacture of ultra-large high pressure cylinders for the offshore oil and gas industry. Results for the half year to March 2009 had turnover up 8.5% to £12.7 million and operating profit up 23.8% to £2.6 million. A trading update issued ahead of the September results said that trading was in line with expectations and that cash generation was strong.



### Harvey Jones Holdings Limited

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

Harvey Jones is a fitted kitchen furniture specialist. We supported the MBO of the business from its private owner. The business has a manufacturing facility in the UK and stores in London and wealthy provincial towns principally in the South of England. Its strong brand positioning has helped Harvey Jones to retain volumes through the economic down turn. The business has continued to open selective new stores to be well positioned to benefit as market conditions improve.

### Mattioli Woods

### Mattioli Woods plc

Leicester  
[www.mattioli-woods.com](http://www.mattioli-woods.com)

Mattioli Woods provides pensions consultancy and administration services primarily to owner-managers, senior executives and professional persons. The group's key activities include complex pensions consultancy, the provision of self-invested personal pensions ("SIPP") and small self-administered pension schemes ("SSAS"). The results for the year to 31 May 2009 showed revenue increased by 23% to £13.3 million and operating profit up 15% to £3.8 million. The October AGM statement expressed confidence in the business model and suggested that clients were moving away from defensive positions and adopting a more positive approach.

# Top 15 Investments



## Fishawack Limited

Knutsford  
[www.fishawack.com](http://www.fishawack.com)

Fishawack is an established, specialist healthcare communications agency focusing on the medical sector, with a strong reputation for providing specialist support for many of the world's top global pharmaceutical companies. It has continued to build its customer base and market share supporting the pre-launch and launch campaigns for new drugs and treatments.

## Ellfin Home Care Limited

Oldham

Ellfin Home Care is a domiciliary care business providing care in the home services to both public and private clients. The company was established as a vehicle to acquire a number of home care businesses forming a North West Group over a 5 year period. To date, one acquisition has been completed and the management team continue to look for other suitable targets.



## RMS Group Holdings Limited

Goole  
[www.rms-europe.co.uk](http://www.rms-europe.co.uk)

Your Company invested to support the management buy-in/management buy-out of this group which provides a wide range of stevedoring, warehousing and distribution services. RMS operates from six sites on the Humber estuary handling around 2 million tonnes of cargo a year. RMS has continued to broaden its range of customer service and expand its operations along the Humber estuary. Whilst dependent on overall commodity movements the financing structure has been defensively constructed and the team have used the tough economic conditions to consolidate their market position.



## 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.

# Top 15 Investments



Straight plc

Leeds  
[www.straight.co.uk](http://www.straight.co.uk)

Straight supplies predominantly plastic container solutions manufactured from recycled materials. The company's products are utilised for the collection, storage or transportation of source separated waste. Results for the six months to June 2009 showed a substantial improvement with £950,000 PBT against a £936,000 loss in the same period in 2008. Sales were up 27% to £17.2 million.



Tikit Group plc

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

Tikit Group is a provider of consultancy services and software solutions principally to the IT departments of top law firms. The company also provides a range of document and knowledge management tools to a majority of the top 50 UK legal practices. The business saw a slowdown in its markets in the first half year to June 2009 as customers deferred projects. Sales were down 4% to £13.1 million but PBT fell 40% to £0.9 million. Cost reduction and a weighting of revenues to the second half should help improve performance in the rest of the year, according to management.



K3 Business Technology Group plc

Colne  
[www.k3btg.com](http://www.k3btg.com)

Established in 2001, K3 supplies, installs and supports Microsoft based business planning and management software principally to retailers and manufacturers achieving both organic and acquisitive growth. The company has been diversifying away from its original core retail base and continues to diversify its supply chain activities. Difficult market conditions in the first half year to June 2009 saw operating profit reduce from £1.5 million to £0.7 million, However cash generation remained healthy and cost reductions were expected to improve performance in the second half of the year.

# Statement of Comprehensive Income

For the 6 months ended 30 September 2009

	Notes	Unaudited 6 months ending 30 September 2009			Unaudited 6 months ending 30 September 2008		Total £000
		Revenue £000	Capital £000	Total £000	Revenue (restated) £000	Capital (restated) £000	
Gain on realisation of investments		-	8	8	-	85	85
Gains (losses) on investments held at fair value		-	2,270	2,270	-	(1,161)	(1,161)
Income	2	603	-	603	628	-	628
Administrative expenses:							
Fund management fee		(66)	(198)	(264)	(91)	(273)	(364)
VAT recovery		-	-	-	83	189	272
Other expenses		(187)	-	(187)	(206)	-	(206)
		(253)	(198)	(451)	(214)	(84)	(298)
<b>Profit (loss) before taxation</b>		<b>350</b>	<b>2,080</b>	<b>2,430</b>	414	(1,160)	(746)
Taxation	3	(52)	52	-	(80)	80	-
<b>Profit (loss) for the period attributable to equity shareholders</b>		<b>298</b>	<b>2,132</b>	<b>2,430</b>	334	(1,080)	(746)
<b>Total comprehensive income for the period attributable to equity shareholders</b>		<b>298</b>	<b>2,132</b>	<b>2,430</b>	334	(1,080)	(746)
<b>Basic and diluted earnings (loss) per Ordinary share</b>	5	<b>0.97p</b>	<b>6.93p</b>	<b>7.89p</b>	1.08p	(3.51)p	(2.42)p

# Balance Sheet

## For the 6 months ended 30 September 2009

	Notes	Unaudited 6 months ended 30 September 2009 £000	Unaudited 6 months ended 30 September 2008 (restated) £000	Audited Year ended 31 March 2009 £000
<b>Assets</b>				
<b>Non-current assets</b>				
Investments		12,143	12,688	9,706
Fixed income government securities		11,758	14,061	12,455
Financial assets at fair value through profit or loss		23,901	26,749	22,161
<b>Current assets</b>				
Trade and other receivables		400	709	672
Cash and cash equivalents		3,708	2,251	3,697
		4,108	2,960	4,369
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(94)	(235)	(130)
<b>Net current assets</b>		4,014	2,725	4,239
<b>Net assets</b>		27,915	29,474	26,400
<b>Shareholders' equity</b>				
Share capital		3,201	3,180	3,187
Share premium account		15,331	15,183	15,236
Capital redemption reserve		221	221	221
Treasury share reserve		(1,035)	(931)	(931)
Realised capital reserve		(127)	756	–
Unrealised capital reserve		870	1,211	(1,389)
Special reserve		2,408	2,408	2,408
Retained earnings		7,046	7,446	7,668
<b>Total Shareholders' equity</b>		27,915	29,474	26,400
<b>Basic and diluted net asset value</b>				
<b>per Ordinary share</b>	6	90.6p	95.8p	85.7p

The Balance Sheet for the six months ended 30 September 2008 has been restated following the adoption of 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 to show additional reserves, and the reclassification of Government Securities as described in note 1.

Signed on behalf of the Board

**Helen Sinclair**  
**Chairman**  
**20 November 2009**

# Unaudited Statement of Changes in Equity

For the 6 months ended 30 September 2009

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Treasury share reserve £000	Realised capital reserve £000	Unrealised capital reserve £000	Special reserve £000	Retained earnings £000	Total equity £000
<b>At 31 March 2008</b>	<b>2,642</b>	<b>10,502</b>	<b>221</b>	<b>(666)</b>	<b>847</b>	<b>2,543</b>	<b>2,408</b>	<b>7,701</b>	<b>26,198</b>
Revenue return for the period	-	-	-	-	-	-	-	334	334
Capital expenses	-	-	-	-	(5)	-	-	-	(5)
Unrealised loss on investments held at fair value	-	-	-	-	-	(1,161)	-	-	(1,161)
Realisation of prior year unrealised gains	-	-	-	-	171	(171)	-	-	-
Realisation of investments in the period	-	-	-	-	85	-	-	-	85
Dividends	-	-	-	-	(342)	-	-	(589)	(931)
Purchase of own shares	-	-	-	(265)	-	-	-	-	(265)
Issue of Ordinary share capital	538	4,979	-	-	-	-	-	-	5,517
Issue costs of Ordinary shares	-	(298)	-	-	-	-	-	-	(298)
<b>At 31 September 2008</b>	<b>3,180</b>	<b>15,183</b>	<b>221</b>	<b>(931)</b>	<b>756</b>	<b>1,211</b>	<b>2,408</b>	<b>7,446</b>	<b>29,474</b>
Revenue return for the period	-	-	-	-	-	-	-	222	222
Capital expenses	-	-	-	-	(179)	-	-	-	(179)
Unrealised loss on investments held at fair value	-	-	-	-	-	(2,587)	-	-	(2,587)
Realisation of prior year unrealised gains	-	-	-	-	13	(13)	-	-	-
Realisation of investments in the period	-	-	-	-	25	-	-	-	25
Dividends	-	-	-	-	(615)	-	-	-	(615)
Issue of share capital on DRIS*	7	53	-	-	-	-	-	-	60
<b>At 31 March 2009</b>	<b>3,187</b>	<b>15,236</b>	<b>221</b>	<b>(931)</b>	<b>-</b>	<b>(1,389)</b>	<b>2,408</b>	<b>7,668</b>	<b>26,400</b>

\* DRIS being the dividend reinvestment scheme

# Unaudited Statement of Changes in Equity

For the 6 months ended 30 September 2009 (continued)

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Treasury share reserve £000	Realised capital reserve £000	Unrealised capital reserve £000	Special reserve £000	Retained earnings £000	Total equity £000
<b>At 31 March 2009</b>	<b>3,187</b>	<b>15,236</b>	<b>221</b>	<b>(931)</b>	<b>-</b>	<b>(1,389)</b>	<b>2,408</b>	<b>7,668</b>	<b>26,400</b>
Revenue return for the period	-	-	-	-	-	-	-	298	298
Capital expenses	-	-	-	-	(146)	-	-	-	(146)
Unrealised gain on investments held at fair value	-	-	-	-	-	2,270	-	-	2,270
Realisation of prior year unrealised gains	-	-	-	-	11	(11)	-	-	-
Realisation of investments in the period	-	-	-	-	8	-	-	-	8
Dividends	-	-	-	-	-	-	-	(920)	(920)
Purchase of own shares	-	-	-	(104)	-	-	-	-	(104)
Issue of share capital on DRIS*	14	95	-	-	-	-	-	-	109
<b>At 30 September 2009</b>	<b>3,201</b>	<b>15,331</b>	<b>221</b>	<b>(1,035)</b>	<b>(127)</b>	<b>870</b>	<b>2,408</b>	<b>7,046</b>	<b>27,915</b>

\* DRIS being the dividend reinvestment scheme

The Unaudited Statement of Changes in Equity for the six months ended 30 September 2008 has been restated following the adoption of 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 to show additional reserves.

# Statement of Cash Flows

## For the 6 months ended 30 September 2009

	<b>Unaudited 6 months ended 30 September 2009</b>	Unaudited 6 months ended 30 September 2008 (restated)	Audited Year ended 31 March 2009
	<b>£000</b>	£000	£000
<b>Net cash inflow from operating activities</b>	<b>454</b>	49	166
<b>Cash flows from (used in) investing activities</b>			
Purchase of fixed asset investments	–	(6,595)	(6,714)
Proceeds from sale of fixed asset investments	<b>537</b>	3,978	6,148
<b>Net cash from (used in) investing activities</b>	<b>537</b>	(2,617)	(566)
<b>Cash flows (used in) from financing activities</b>			
Issue of Ordinary shares	–	5,436	5,436
Cost of Ordinary share issue	<b>(65)</b>	(244)	(244)
Purchase of own Ordinary shares	<b>(104)</b>	(171)	(339)
Dividends paid	<b>(811)</b>	(932)	(1,486)
<b>Net cash (used in) from financing activities</b>	<b>(980)</b>	4,089	3,367
<b>Net increase in cash and cash equivalents</b>	<b>11</b>	1,521	2,967
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,697</b>	730	730
<b>Cash and cash equivalents at the end of the period</b>	<b>3,708</b>	2,251	3,697

# Notes to the Financial Statements

1. These half year statements, which have been approved by the directors whose names appear at note 8, each of whom has confirmed that to the best of their knowledge the Interim Management Report includes a fair review of the information required by Rules 4.2.7 and 4.2.8 of the Disclosure Rules and the Transparency Rules.

The half year statements are unaudited and have not been reviewed by the auditors pursuant to the Auditing Practices Board (ASB) guidance on Review of Interim Financial Information. They do not constitute full financial statements as defined in section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2009 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2009. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The half year statements comply with IAS 34 'Interim financial reporting' and the Disclosure and Transparency Rules of the Financial Services Authority. The accounting policies and methods of computation followed in the half year statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 March 2009, except as noted below.

The financial statements for the year ended 31 March 2009 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 1985 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.

The following new standards and amendments to standards are mandatory for the first time for the financial year commencing 1 April 2009. Where relevant to the Company the half year statements have been prepared under the revised disclosure requirements.

IAS 1 (revised) "Presentation of Financial Statements". The Company has elected to present a single performance statement: the Statement of Comprehensive Income.

IFRS 8 "Operating Segments". The adoption of this standard has had no impact on the segmental information reported by the Company.

Other standards and interpretations which have been issued but are not currently relevant for the Company are IAS 23 (Revised) and IFRICs 13, 15 and 16.

Investments in quoted Government Securities were reclassified from cash equivalents to financial assets at fair value through profit or loss in the accounts for the year ended 31 March 2009. As a consequence the balance sheet for the six months ended 30 September 2008 has been restated.

There has been no change to the principal risks and uncertainties facing the Company since the publication of the financial statements for the year ended 31 March 2009. 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.

# Notes to the Financial Statements

Full details of the principal risks can be found in the financial statements for the year ended 31 March 2009 on page 19, a copy of which can be found at [www.yfmgroup.co.uk](http://www.yfmgroup.co.uk).

## 2. Income

	<b>Unaudited 6 months ended 30 September 2009 £000</b>	Unaudited 6 months ended 30 September 2008 £000
Income from investments:		
Dividends from unquoted companies	<b>66</b>	–
Dividends from AIM quoted companies	<b>32</b>	34
	<b>98</b>	34
Interest on loans to unquoted companies	<b>156</b>	183
Fixed interest Government securities	<b>323</b>	385
	<b>577</b>	602
Income from investments held at fair value through profit or loss		
Interest on deposits	<b>26</b>	26
	<b>603</b>	628

## 3. Taxation

	<b>Unaudited 6 months ended 30 September 2009</b>			Unaudited 6 months ended 30 September 2008		
	<b>Revenue £000</b>	<b>Capital £000</b>	<b>Total £000</b>	Revenue (restated) £000	Capital (restated) £000	Total £000
Corporation tax payable at 21% (2008: 21%)	<b>52</b>	<b>(52)</b>	–	80	(80)	–
Profit (loss) on ordinary activities before taxation	<b>350</b>	<b>2,080</b>	<b>2,430</b>	414	(1,160)	(746)
Profit (loss) on ordinary activities multiplied by standard small company rate of corporation tax in UK of 21% (2008: 21%)	<b>73</b>	<b>437</b>	<b>510</b>	87	(244)	(157)
<b>Effect of:</b>						
UK dividends received	<b>(21)</b>	–	<b>(21)</b>	(7)	–	(7)
Non taxable profits on investments	–	<b>(478)</b>	<b>(478)</b>	–	226	226
Excess management expenses	–	<b>(11)</b>	<b>(11)</b>	–	(62)	(62)
Tax on profit (loss) on ordinary activities	<b>52</b>	<b>(52)</b>	–	80	(80)	–

The Company has no provided, or unprovided, deferred tax liability in either period. Deferred tax assets in respect of losses have not been recognised as management currently believe that there will not be sufficient taxable profits against which the assets can be recovered.

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

# Notes to the Financial Statements

## 4. Dividends

Amounts recognised as distributions to equity holders in the period:

	Unaudited 6 months ended 30 September 2009			Unaudited 6 months ended 30 September 2008			Audited Year ended 31 March 2009		
	Revenue £000	Capital £000	Total £000	Revenue (restated) £000	Capital (restated) £000	Total £000	Revenue £000	Capital £000	Total £000
Interim – 2.0p per Ordinary share; paid 16 November 2007	-	-	-	-	-	-	-	615	615
Final – 3.0p per Ordinary share; paid 8 August 2008 (2007: 3.0p per Ordinary share)	-	-	-	589	342	931	-	-	-
Final – 3.0p per Ordinary share; paid 13 August 2009	<b>920</b>	-	<b>920</b>	-	-	-	-	-	-
<b>Dividends paid</b>	<b>920</b>	-	<b>920</b>	589	342	931	-	615	615

An interim dividend of 2.0p per share in respect of the period to 30 September 2009, amounting to £615,000, is proposed. This has not been recognised in the period ended 30 September 2009 as the obligation did not exist at the balance sheet date.

## 5. Basic and diluted earnings (loss) per Ordinary share

The basic and diluted earnings per Ordinary share is based on the profit for the period attributable to equity shareholders of £2,430,000 (30 September 2008: loss of £746,000) and on 30,786,419 shares (30 September 2008: 30,865,000), being the weighted average number of shares in issue during the period.

The basic and diluted revenue earnings per Ordinary share is based on the revenue profit for the period attributable to equity shareholders of £298,000 (30 September 2008: profit of £334,000) and on 30,786,419 shares (30 September 2008: 30,865,000), being the weighted average number of shares in issue during the period.

The basic and diluted capital earnings per Ordinary share is based on the capital profit for the period attributable to equity shareholders of £2,132,000 (30 September 2008: loss of £1,080,000) and on 30,786,419 shares (30 September 2008: 30,865,000), being the weighted average number of shares in issue during the period.

During the period the Company allotted 138,413 Ordinary shares in respect of its dividend reinvestment scheme.

The Company has also repurchased 141,882 of its own shares and these shares are held in treasury. The 1,192,837 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2009 (30 September 2008: 1,050,955 treasury shares). The Company has no securities that would have a dilutive effect and hence basic and diluted earnings (loss) per Ordinary share are the same.

# Notes to the Financial Statements

## 6. Net asset value per Ordinary share

The net asset value per Ordinary share is calculated on attributable assets of £27,915,000 and 30,816,423 shares in issue at the period end (30 September 2008: assets of £29,474,000 and 30,752,447 shares, 31 March 2009: assets of £26,400,000 and 30,819,892 shares).

During the period the Company allotted 138,413 Ordinary shares in respect of its dividend reinvestment scheme.

The Company has also repurchased 141,882 of its own shares and these shares are held in treasury. The 1,192,837 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2009 (30 September 2008 and 31 March 2009: 1,050,955 treasury shares were excluded). 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 per share is calculated on cumulative dividends paid of 48 pence per Ordinary share (30 September 2008: 43 pence per Ordinary share and 31 March 2009: 45 pence per Ordinary share) plus the net asset value at those dates as calculated per note 6.

8. The directors of the Company are: Mrs H Sinclair, Mr PS Cammerman, Mr RM Pettigrew and Mr R Last.

9. 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.yfmgroupp.co.uk](http://www.yfmgroupp.co.uk).

# British Smaller Companies VCT plc

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