British Smaller Companies VCT plc

Annual Report for the year ended
31 March 2009

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British Smaller Companies VCT plc

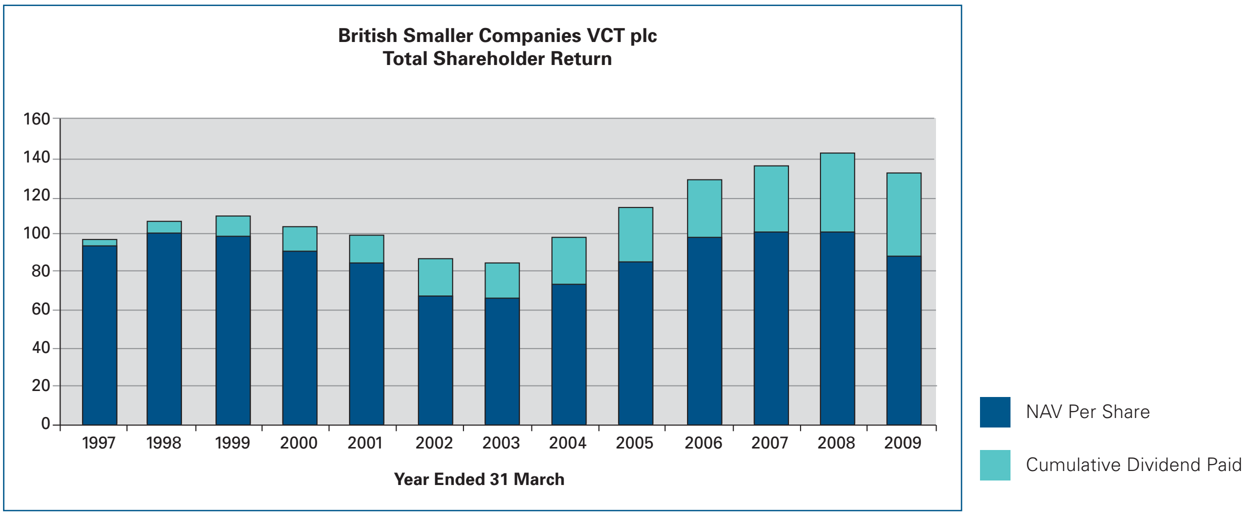
Managed by YFM Private Equity Limited, British Smaller Companies VCT plc provides venture capital funding of up to £1m to qualifying companies.

The investment policy of the Company is to create a portfolio that blends a mix of businesses operating in traditional industries with those that offer opportunities in the development and application of innovation.

Financial Highlights

	2009	2008
(Loss) profit before and after taxation	**(£3,266,000)**	£2,205,000
Dividend per Ordinary share paid and proposed for the year	**5.0p**	5.0p
Total cumulative dividends paid per Ordinary share	**45.0p**	40.0p
Net asset value per Ordinary share	**85.7p**	102.1p
Total return per Ordinary share	**130.7p**	142.1p
Proposed final dividend per Ordinary share	**3.0p**	3.0p

The chart below shows how the total return of your Company, 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.



Financial Calendar

- Results Announced 26 June 2009
- Ex-dividend Date 8 July 2009
- Dividend Paid 13 August 2009
- Record Date 10 July 2009
- Annual General Meeting 6 August 2009

Chairman's Statement

This is the first year on which I have reported since taking over the role of Chairman in August 2008. The period has been one of the most turbulent in recent memory. The financial sector has undergone a number of shocks which have introduced a high degree of uncertainty into the markets. The impact of the credit crunch, the devaluation of sterling, recession, deflationary pressures and unprecedented public sector debt have impacted upon the profitability and growth prospects for small businesses. Additionally, we have observed a mismatch between vendor and purchaser price expectations that has led to a short term slow down of investment opportunities.

The banking crisis and difficult economic environment have severely affected the quoted markets. The FTSE All-Share® and the AiM All-Share® are down by 32% and 57% respectively over the period. This reduction in quoted price/earnings (P/E) ratios has had a direct impact upon both our AiM quoted and unquoted portfolio. The latter is affected because we use comparable P/E multiples in valuing unquoted companies so a fall in the quoted P/E ratio will reduce valuations even if underlying company trading is unaffected. As a result of this, and of poorer trading in some of our investee companies, the valuation of the portfolio has declined and the total return as at 31 March 2009 has reduced to 130.7 pence per share (2008: 142.1 pence per share). Net asset value has reduced to 85.7 pence per share at 31 March 2009 (2008: 102.1 pence per share). This reduction is after taking account of dividend payments of 5.0 pence per share.

Your Board is recommending a final dividend of 3.0 pence per share. This will bring the total dividend in respect of the year ended 31 March 2009 to 5.0 pence per share.

Investment Portfolio

As was noted previously, new deal activity has slowed considerably. The Company has, instead, sought to preserve cash in this difficult business environment. Resources available for investment, comprising both cash and quoted Government Securities, amount to £16.15 million. A total of £1.11 million was invested into 4 businesses in the year, of which £0.27 million were follow-on investments into existing portfolio companies. Of the total investment, £0.71 million (64.0%) was invested in 3 unquoted companies and £0.40 million (36.0%) was invested in an AiM listed business. Further information about these new investments can be found in the Fund Manager's Review. This contains a summary of all businesses in the current portfolio and a note of their website addresses.

I am pleased to note that a total of £0.34 million was realised from the portfolio generating a profit over cost of £0.28 million since investment.

Financial Results and Dividends

The net asset value of the Company at 31 March 2009 was 85.7 pence per share (2008: 102.1 pence per share). Taking account of the dividends paid to date the total return for eligible founder Shareholders at the balance sheet date was 130.7 pence per share (2008: 142.1 pence per share).

This year your Board has adopted the new Statement of Recommended Practice, in line with other companies in our sector, which means that the financial results are presented in a different format to those of the previous year. In particular the income and costs are now analysed between revenue and capital. For comparative purposes the prior year results have been re-stated.

The result for the financial year ended 31 March 2009 was a pre-tax loss of £3.27 million which comprised a capital loss of £3.94 million (of which £3.75 million is unrealised) and revenue profit of £0.68 million, as compared to an overall profit before taxation of £2.21 million in the year to 31 March 2008 (which comprised profits in respect of capital and revenue of £1.52 million and £0.69 million respectively).

An interim dividend of 2.0 pence per share was declared on the Ordinary shares and paid in February 2009. Your Board is now proposing a final dividend of 3.0 pence per share on the Ordinary shares. If approved, these dividends will be paid on 13 August 2009 to Shareholders on the register at 10 July 2009. The final dividend will be paid out of retained earnings and has not been recognised in the accounts under IFRS as the contractual obligation did not exist at the balance sheet date.

Performance Incentive

Your Board has reviewed the existing Performance Incentive Scheme for the Fund Manager. The Board feels that the existing scheme is too complex and, as a benchmark scheme (tracking total return against the FTSE All-Share® index) in this time of declining markets, does not best align itself with the Company's policy of combining consistent dividend payments and net asset value performance. Consequently your Board proposes to recommend to Shareholders to replace this scheme with one that focuses both on growth and distributions.

Shareholders will receive a Circular together with the Annual Report and Accounts giving details of these proposals and of the General Meeting at which a resolution will be proposed to grant authority to implement them.

Shareholders and Fundraising

The Company continues to operate a share buy back policy to enable Shareholders to obtain some liquidity in an otherwise illiquid market. This policy is kept under review to ensure that any decisions taken are in the best interests of Shareholders as a whole. As I reported in the interim results, against the current economic backdrop your Board has decided for the current time to increase the discount to net asset value at which shares are bought back from 10% to 15%. The Board intends to keep this under close review so as to preserve cash and protect Shareholders' interests as a whole.

In accordance with this policy, the Company purchased a total of 298,153 shares during the year, at an average price of 89.0 pence per share. The existing buy back authority which currently expires on 6 August 2009 is proposed to be extended until the date of the 2010 AGM or fifteen months, whichever is the earlier. A resolution to this effect will be proposed at the Company's AGM on 6 August 2009.

Board and Other Changes

Many VCTs will be affected by the new requirements of the Combined Code and the Listing Rules Board composition. From October 2010 Directors will not be deemed independent if they sit on the Boards of more than one VCT managed by the same Fund Manager. Changes will need to be made to the composition of this Board prior to this date. Your Board will ensure that the necessary changes are made in an appropriate and timely manner.

VAT Recovery

Following the ruling by the European Court and agreement between HMRC and the Association of Investment Companies, the Fund Manager has submitted a retrospective claim to recover VAT which has been received in full subsequent to the year end. The benefit to the Company of this claim is £272,000. In addition, from 1 October 2008 management fees charged by the Fund Manager no longer attract VAT. The annual benefit to the Company is estimated at 0.3 pence per share.

Proposed Legislative Changes

The Board continues to monitor a number of proposals (currently under consultation) from the European Union on the regulation and criteria of VCT investments. Once the extent and impact of these is more apparent it will be communicated to Shareholders.

AIC Award

I am pleased to report that the Company has been recognised for its hard work and commitment by the Association of Investment Companies ("AIC"), who awarded us the 'Best Report and Accounts – VCT' accolade in May 2009.

Outlook

This year has very much been one of supporting the existing portfolio, and maintaining the cash resources from the recent fundraisings to ensure that there is capacity to take advantage of the investment opportunities that will arise either before or as the economy improves.

I am pleased to note that a number of our investee companies are still performing well, and several of our investee companies are seeking to expand both organically and through acquisition. The Company is fortunately in a position to be able to support these plans as is felt appropriate.

In the short to medium term the economic situation is likely to lead to continuing pressure on valuations. However the Board remains pleased with the overall progress that the portfolio is making, and we look to the medium term with more optimism and will seek to maintain adequate capacity to both support the existing portfolio and make new investments.

Once again, I would like to take this opportunity to thank Shareholders for their continued support.

Helen Sinclair
25 June 2009

Portfolio Valuation at 31 March 2009 and history of realisations up to 31 March 2009

Name of Company	Date of Initial Investment	Location	Industry Sector	Original Cost £000	Realised Proceeds to Date* £000	Investment Valuation at 31 March 2009 £000	Realised and Unrealised to Date £000
Current Investments:							
GO Outdoors Limited	May-98	Sheffield	Consumer Products	556	460	1,517	1,977
Connaught plc	Nov-98	Sidmouth	Support Services	460	943	961	1,904
Waterfall Services Limited (formerly Cater Plus Services Limited)	Feb-07	Watford	Support Services	1,000	–	1,265	1,265
Sheet Piling (UK) Limited	Jun-00	Preston	Construction	500	410	750	1,160
Ellfin Home Care Limited	Dec-07	Oldham	Healthcare	769	–	820	820
Mattioli Woods plc	Nov-05	Leicester	Support Services	326	–	567	567
Fishawack Limited	Jan-08	Knutsford	Communications	500	–	550	550
Pressure Technologies plc	Jun-07	Sheffield	Industrial	425	–	496	496
Images at Work Limited	Mar-99	Salisbury	Support Services	615	320	129	449
Harvey Jones Holdings Limited	May-07	London	Manufacture	777	–	432	432
Hargreaves Services plc	Dec-07	Durham	Industrial	469	–	388	388
RMS Group Holdings Limited	Jul-07	Goole	Industrial	1,050	24	317	341
Payzone plc	Jun-02	Dublin	Consumer Products	318	311	3	314
Denison Mayes Group Limited	Aug-98	Leeds	Industrial	700	255	45	300
Primal Pictures Limited	Mar-01	London	Healthcare	500	–	292	292
Tikit Group plc	Jun-01	London	Software	226	–	235	235
Freshroast Coffee Co. Limited	Jul-96	Elland	Consumer Products	160	166	30	196
Straight plc	Feb-04	Leeds	Industrial	341	64	131	195
K3 Business Technology Group plc	Apr-08	Colne	Software	402	–	174	174
Patsystems plc	Oct-07	London	Software	222	–	144	144
Darwin Rhodes Group Limited	Apr-08	London	Recruitment	444	–	143	143
Brulines plc (formerly Brulines (Holdings) plc)	Oct-06	Stockton-on-Tees	Software	163	–	121	121
Harris Hill Holdings Limited	Jun-07	Kingston-upon-Thames	Recruitment	600	–	99	99
Hexagon Human Capital plc	Feb-07	London	Support Services	200	–	46	46
Cambridge Cognition Limited	May-02	Cambridge	Software	325	–	26	26
Belgravium Technologies plc	Oct-05	Bradford	Software	200	–	25	25
SBS Group plc	Mar-98	London	Support Services	100	–	–	–
				12,348	**2,953**	**9,706**	**12,659**
Full realisations since March 2002				8,917	12,856	–	12,856
Full realisations prior to March 2002				6,394	3,246	–	3,246
Total realised and unrealised to date				**27,659**	**19,055**	**9,706**	**28,761**

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

Investment Portfolio

This section describes the business of the active companies in the portfolio, in order of valuation at 31 March 2009. The Company's voting rights in an investee company are the same as the percentage of equity held for each investment detailed below.

GO Outdoors Limited

Sheffield
www.gooutdoors.co.uk

Cost	£155,697
Valuation	£1,517,000
Dates of investment	May 1998, March 2002 and April 2007
Equity held	21.8%
Valuation basis	Earnings multiple
Dividends received	£330 (2008: £11,516)

52 weeks ended	24 Jan 2009 £million	26 Jan 2008 £million
Sales	**41.19**	31.64
Profit before tax	**1.21**	0.02
Retained profits	**2.08**	1.34
Net assets	**7.22**	6.47

GO Outdoors is a retailer of outdoor clothing and equipment. The original investment of £500,000 in May 1998 supported the buyout with a second investment in March 2002 to support the company's first acquisition. The company has continued its expansion opening a further 2 stores in the year taking the total number of outlets to 13 with further expansion planned.

Waterfall Services Limited
(formerly Cater Plus Services Limited)

Watford
www.caterplus.co.uk

Cost	£1,000,129
Valuation	£1,264,800
Date of investment	February 2007
Equity held	18.00%
Valuation basis	Earnings multiple
Dividends received	£23,333 (2008: £5,875)
Interest	£53,333 (2008: £53,626)

Period ended 31 March	2008 (12 months) £million	2007 (9 months)* £million
Sales	**11.07**	1.92
Profit before tax	**0.32**	0.06
Retained profits	**0.14**	0.02
Net assets	**0.52**	0.39

*representing 2 months trading

The investment in February 2007 supported the management buy-in/management buy-out of this specialist supplier of catering services to the residential and care home sector. The company operates across the UK supplying both catering services and undertaking purchasing contracts on behalf of residential and care homes. During the year it has both expanded and diversified through the acquisition of Taylor Shaw, a north eastern based business supplying the education sector.

Connaught plc

Sidmouth
www.connaught.plc.uk

Cost	£90,710
Valuation	£960,579
Dates of investment	November 1998, June 1999, January 2001, March, June, September and November 2005, March, October, November and December 2006, January, July and October 2007, March 2008.
Equity held	0.29%
Valuation basis	Quoted bid price
Dividends received	£8,538 (2008: £10,000)

Year ended 31 August	2008 £million	2007 £million
Sales	**552.9**	395.9
Profit before tax	**21.7**	15.8
Retained profits	**37.9**	24.4
Net assets	**126.8**	52.7

Connaught operates as a facilities management and integrated property services group, engaged in building maintenance, electrical and compliance work, primarily in the social housing sector. Connaught's listing was transferred to the main market towards the end of the calendar year 2006, although the investment remains VCT qualifying for a period up to five years from that transfer. Half year results to 28 February 2009 show further progress with turnover up 19% to £303.9 million and pre-tax profits up 39% to £13.5 million.

Ellfin Home Care Limited

Oldham

Cost	£769,000
Valuation	£819,504
Dates of investment	December 2007 and October 2008
Equity held	11.40%
Valuation basis	Earnings multiple
Interest	£35,313 (2008: £9,296)

There are currently no audited financial statements due from Ellfin Home Care Limited.

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 two acquisitions have been completed with a number of others under review.

Sheet Piling (UK) Limited

Preston
www.sheetpilinguk.com

Cost	£110,000
Valuation	£750,000
Date of investment	June 2000
Equity held	36.00%
Valuation basis	Earnings multiple

Year ended 27 May	**2008 £million**	2007 £million
Sales	**17.40**	11.53
(Loss) profit before tax	**(0.93)**	0.86
Retained profits	**0.98**	1.65
Net assets	**1.35**	2.02

From its headquarters in Preston, Sheet Piling is one of the UK's leading driven steel piling contractors and carries out contracts throughout the UK for a variety of sectors using its state of the art equipment. The original investment supported the management buy-out from Allen plc. The company has diversified its customer base and has de-geared its balance sheet.

Mattioli Woods plc

Leicester
www.mattioli-woods.com

Cost	£325,922
Valuation	£567,208
Dates of investment	November 2005, February, March, October 2006 and July 2007
Equity held	1.43%
Valuation basis	Quoted bid price
Dividends received	£7,768 (2008: £7,142)

Year ended 31 May	**2008 £million**	2007 £million
Sales	**10.83**	9.00
Profit before tax	**3.51**	3.15
Retained profits	**5.88**	3.88
Net assets	**14.03**	11.86

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"). Interim results to 30 November 2008 reported an increase in revenue of 29.2% to £6.85 million and an increase in EBITA of 11.9% to £2.16 million.

Fishawack Limited

Knutsford
www.fishawack.com

Cost	£500,000
Valuation	£550,000
Date of investment	January 2008
Equity held	5.49%
Valuation basis	Earnings multiple
Interest	£13,858 (2008: £6,633)

Fishawack Limited has a small company exemption from filing full consolidated financial statements at Companies House.

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.

Pressure Technologies plc

Sheffield
www.pressuretechnologies.co.uk

Cost	£425,176
Valuation	£496,008
Dates of investment	June and July 2007
Equity held	2.5%
Valuation basis	Quoted bid price
Dividends received	£17,006 (2008: £11,667)

Year ended 30 September	**2008 £million**	2007 £million
Sales	**23.67**	15.12
Profit before tax	**5.01**	1.38
Retained profits	**5.26**	1.89
Net assets	**11.17**	7.80

Pressure Technologies plc designs, manufactures and offers testing and refurbishment services for a range of speciality high pressure, seamless steel gas cylinders for global energy and defence markets. The recent pre-close trading statement indicated that the company continued to perform in line with expectations with future revenues underpinned by the company's order book.

Harvey Jones Holdings Limited

London
www.harveyjones.com

Cost	£777,143
Valuation	£432,000
Date of investment	May 2007
Equity held	6.88%
Valuation basis	Earnings multiple
Interest	£67,581 (2008: £65,885)

Period ended 31 December	**2007 (8 months) £million**
Sales	**6.88**
Profit before tax	**0.68**
Retained profits	**0.29**
Net assets	**0.86**

Harvey Jones is a retailer of high quality kitchen furniture with its own manufacturing facility in the UK and 13 stores predominantly in London and wealthy provincial towns. It plans to roll out the number of stores organically and build brand recognition over a 3 to 5 year period.

Hargreaves Services plc

Esh Winning, Durham
www.hargreavesservices.co.uk

Cost	£468,550
Valuation	£388,025
Dates of investment	December 2007, January, February and March 2008
Equity held	0.35%
Valuation basis	Quoted bid price
Dividends received	£10,098 (2008: £9,014)

Year ended 31 May	2008 £million	2007 £million
Sales	**404.90**	240.11
Profit before tax	**17.86**	8.63
Retained profits	**20.43**	7.04
Net assets	**41.83**	41.03

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 has recently expanded into mainland Europe as well as operating a colliery and coke plant. The interim results to November 2008 saw turnover increase 70% to £296.5 million and pre-tax profit rise 85% to £12.2 million.

RMS Group Holdings Limited

Goole
www.rms-europe.co.uk

Cost	£1,026,044
Valuation	£317,000
Dates of investment	July 2007 and August 2008
Equity held	8.82%
Valuation basis	Earnings multiple
Interest	£98,825 (2008: £60,480)

8 month period ended 31 December	2007 £million
Sales	**13.40**
Profit before tax	**0.53**
Retained profits	**0.29**
Net assets	**5.85**

RMS Group is a provider of stevedoring and logistics services and operates from five sites on the Humber Estuary. It plans to enhance its currently profitable operations and continues to reduce its gearing.

Primal Pictures Limited

London
www.primalpictures.com

Cost	£500,000
Valuation	£292,000
Date of investment	March 2001
Equity held	3.78%
Valuation basis	Earnings multiple

Year ended 31 December	2007 £million	2006 £million
Sales	**2.15**	2.02
Loss before tax	**(0.01)**	(0.25)
Retained losses	**(5.31)**	(5.32)
Net liabilities	**(1.93)**	(1.94)

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 markets.

Tikit Group plc

London
www.tikit.com

Cost	£226,009
Valuation	£235,262
Dates of investment	June 2001, March and November 2006, January and April 2007
Equity held	1.35%
Valuation basis	Quoted bid price
Dividends received	£10,097 (2008: £8,887)

Year ended 31 December	2008 £million	2007 £million
Sales	**28.47**	26.43
Profit before tax	**3.49**	3.93
Retained profits	**7.05**	5.02
Net assets	**14.25**	8.28

Tikit Group is a provider of consultancy services and software solutions principally to the IT departments of top law firms. The company provides a range of document and knowledge management tools to the majority of the top 50 UK legal practices. Tikit has continued to deliver on its strategy of moving to longer term contracts with 30% of revenue now underwritten by future contracts.

K3 Business Technology Group plc

Colne
www.k3btg.com

Cost	£402,000
Valuation	£174,000
Date of investment	April 2008
Equity held	1.26%
Valuation basis	Quoted bid price

Period ended 31 December	2008 £million	2007 £million
Sales	**37.62**	34.15
Profit before tax	**3.94**	3.68
Retained profits	**7.87**	5.23
Net assets	**27.87**	23.72

K3 provides software-based supply chain management solutions to the manufacturing and retail sectors. The Annual Report and Accounts for the year to 31 December 2008 revealed that sales increased by 10% to £37.62 million and profit before tax increased by 7% to £3.94 million.

Patsystems plc

London
www.patsystems.com

Cost	£222,002
Valuation	£143,672
Dates of investment	October 2007 and March 2008
Equity held	0.46%
Valuation basis	Quoted bid price
Dividends received	£2,759 (2008: £1,700)

Year ended 31 December	2008 £million	2007 £million
Sales	**19.63**	16.96
Profit before tax	**2.07**	2.19
Retained losses	**(6.47)**	(7.44)
Net assets	**20.05**	18.69

The holding in Patsystems derives from the deferred consideration payable in shares on the acquisition of Tamesis. Patsystems sells trading and risk management systems to derivatives traders and is seeing good demand for its unique real-time risk management system. The recently released results show steady profitability, and an ungeared business with £5.9 million of cash.

Darwin Rhodes Group Limited

London
www.darwinrhodes.com

Cost	£443,925
Valuation	£143,000
Date of investment	April 2008
Equity held	6.1%
Valuation basis	Earnings multiple

Period ended 31 March	**2008 £million**	2007 £million
Sales	**8.72**	6.19
Profit before tax	**0.55**	0.09
Retained losses	**(0.02)**	(0.11)
Net assets	**4.28**	4.17

Darwin Rhodes is an international recruitment firm specialising in the actuarial, insurance and compliance markets. Whilst there have been undoubted pressures on the financial services sector, the breadth of Darwin Rhodes' activities both in terms of sectors and geographic diversity are assisting in managing these pressures.

Straight plc

Leeds
www.straight.co.uk

Cost	£301,236
Valuation	£131,198
Dates of investment	February 2004, January, March and November 2005 and May 2006
Equity held	2.54%
Valuation basis	Quoted bid price
Dividends received	£8,746 (2008: £8,820)

Year ended 31 December	**2008 £million**	2007 £million
Sales	**25.44**	23.59
(Loss) profit before tax	**(0.97)**	0.59
Retained profits	**1.86**	3.22
Net assets	**8.92**	10.21

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. The results for the year to 31 December 2008 show an operating loss of £0.97 million on sales of £25 million. However the second half of the year has seen the company return to breakeven having restructured its loss making retail division.

Images at Work Limited

Salisbury
www.iaw.co.uk

Cost	£295,000
Valuation	£129,000
Date of investment	March 1999
Equity held	33.33%
Valuation basis	Earnings multiple

Year ended 30 September	**2008 £million**	2007 £million
Retained (losses) profits	**(0.05)**	(0.01)
Net assets	**0.64**	0.68

Images at Work Limited has a small companies exemption from filing audited financial statements at Companies House.

Images at Work supplies and manages corporate clothing contracts to a portfolio of large and small clients throughout the UK, including a number of blue-chip companies. It also provides a clothing management programme to several of the national and regional emergency services, police and fire brigades. Its proprietorial IT system allows the clothing requirements of every officer to be recorded, analysed and compared to budget by the client over the Internet.

Brulines plc
(formerly Brulines (Holdings) plc)

Stockton-on-Tees
www.brulines.com

Cost	£162,530
Valuation	£121,532
Dates of investment	October 2006 and July 2007
Equity held	0.47%
Valuation basis	Quoted bid price
Dividends received	£6,737 (2008: £6,656)

Year ended 31 March	**2009 £million**	2008 £million
Sales	**19.07**	17.06
Profit before tax	**4.62**	4.17
Retained profits	**6.50**	4.26
Net assets	**20.06**	13.26

Brulines is the leading provider of volume and revenue protection systems for draught alcoholic beverages for the UK Licensed on-trade, in particular the tenanted pub sector. Half year results to 30 September 2008 saw turnover increase 10.4% to £8.9 million and operating profit increase 7.5% to £2.21 million. In its Annual Report and Accounts to 31 March 2009 the company confirmed it is performing in line with expectations.

Harris Hill Holdings Limited

Kingston-Upon-Thames
www.harrishill.co.uk

Cost	£600,000
Valuation	£99,000
Date of investment	June 2007
Equity held	9.29%
Valuation basis	Earnings multiple
Interest	£1,922 (2008: £297)

Year ended 31 March	**2008 (13 months) £million**
Sales	**3.26**
Loss before tax	**(0.58)**
Retained losses	**(0.58)**
Net liabilities	**(0.98)**

Harris Hill is a niche recruitment business with a strong reputation for providing excellent permanent and temporary recruitment solutions to the charity and not for profit sectors. Current trading is in line with expectations.

Hexagon Human Capital plc

London
www.hexagonhc.com

Cost	£200,190
Valuation	£46,099
Dates of investment	February and July 2007
Equity held	0.62%
Valuation basis	Quoted bid price

Period ended 31 March	**2008 (12 mths) £million**	2007 (15 mths) £million
Sales	**28.66**	10.93
Profit before tax	**2.87**	0.18
Retained profits (losses)	**1.51**	(0.36)
Net assets	**16.85**	14.25

Hexagon invests in high performance businesses that provide Leadership Talent, Human Capital Research and Talent Management to many of the world's leading companies. A recent trading statement was issued following the termination of acquisition talks. This statement revealed that fee income for the year to March 2009 is expected to be in the region of £22 million and EBITA not less than £5.9 million.

Denison Mayes Group Limited

Leeds
www.denisonmayesgroup.com

Cost	£45,000
Valuation	£45,000
Date of investment	August 1998
Equity held	–
Valuation basis	Price of recent investment, reviewed for impairment
Interest	£3,363 (2008: £5,980)

As at 30 June	2008 £million	2007 £million
Retained losses	**(0.74)**	(0.89)
Net liabilities	**(0.19)**	(0.34)

Denison Mayes Group Limited has a small company exemption from filing full audited financial statements at Companies House.

Denison Mayes' primary activity is the servicing and calibration of a wide range of materials testing equipment used in the engineering and academic market. An agreement was reached to sell the equity stake in this company back to management in September 2001. Your Company has a residual loan of £45,000 remaining.

Freshroast Coffee Co. Limited

Elland

Cost	£5,271
Valuation	£30,000
Date of investment	July 1996
Equity held	12.97%
Valuation basis	Earnings multiple

Year ended 31 December	2007 £million	2006 £million
Retained profits	**0.21**	0.06
Net assets	**0.42**	0.26

Freshroast Coffee Co. Limited has a small companies exemption from filing full financial statements at Companies House.

Freshroast Coffee processes, packages and markets coffee, tea and other beverages and beverage constituents, providing an own branding service to vendors. Freshroast has repaid its loan in full, resulting in a small residual investment.

Cambridge Cognition Limited

Cambridge
www.camcog.com

Cost	£325,000
Valuation	£25,864
Date of investment	May 2002
Equity held	3.87%
Valuation basis	Price of recent investment, reviewed for impairment

Year ended 31 December	2007 £million	2006 £million
Sales	**1.99**	1.12
Loss before tax	**(0.96)**	(1.22)
Retained losses	**(5.30)**	(4.34)
Net assets	**0.62**	1.58

Cambridge Cognition is a cognitive test development company specialising in computerised psychological testing of a wide variety of mental conditions especially Alzheimer's, schizophrenia and Attention Deficit Hyperactivity Disorder (ADHD). In December 2008 further funding was secured from a new investor to assist in funding the company's development.

Belgravium Technologies plc

Bradford
www.belgravium.com

Cost	£200,000
Valuation	£25,000
Date of investment	October 2005
Equity held	1.42%
Valuation basis	Quoted bid price
Dividends received	£5,429 (2008: £22,508)

Year ended 31 December	**2008 £million**	2007 £million
Sales	**8.33**	10.64
Profit before tax	**0.40**	2.05
Retained losses	**(0.88)**	(0.89)
Net assets	**9.20**	9.19

Belgravium is a computer design and manufacturing company, specialising in mobile computers for the logistics, fuel and aviation markets. The investment was made to support the acquisition of the complementary Touchstar Technologies. Belgravium's results for 2008 reveal a reduction in turnover to £8.3 million and pre-tax profits down from £2.05 million to £0.40 million. Total borrowings stand at only £1.6 million.

Payzone plc

Dublin
www.payzone.co.uk

Cost	£119,915
Valuation	£3,109
Dates of investment	June 2002, June 2003, April 2005, June and September 2006
Equity held	0.06%
Valuation basis	Quoted bid price

Year ended 31 September	**2008 €million**
Sales	**1,080.85**
Loss before tax	**(208.11)**
Retained losses	**(307.88)**
Net assets	**30.30**

The holding in Payzone has arisen as a result of the acquisition of Cardpoint by Alphyra Holdings Ltd in December 2007. The company is one of the UK's leading independent providers of ATMs (cashpoints) and has grown rapidly by acquisition and organically. The first set of accounts for the combined entity relate to the year ended 30 September 2008. A new executive management team has been recruited. The 2008 loss included significant goodwill impairments. Nonetheless with €300 million of borrowings the company faces a challenging future.

Fund Manager's Review

Introduction

This year has seen marked changes from the economic conditions experienced in previous periods. This has resulted in a lower level of investment activity and the previously buoyant mergers and acquisitions market largely coming to a halt.

There has been an overall reduction in the value of the quoted and unquoted investment portfolios of £4.16 million, equivalent to 30.0% of the value. However, overall realised gains plus unrealised valuations still exceed original cost by some £1.10 million.

Looking behind these figures in more detail reveals a reduction in value between the unquoted and quoted investments of:

	£000	%
Unquoted	(2,639)	(29.1)
Quoted	(1,521)	(31.6)

In both sectors the impact of falling P/E ratios has been that where profitability has increased year on year there has been no positive impact on valuations. In the case of the unquoted portfolio, valuations have remained flat where profits have increased and in the case of the quoted portfolio, without exception valuations have reduced. In the most extreme examples we have seen underlying profitability more than double but the valuation decrease.

This downward pressure has arisen as all valuations (where a company has earnings) are based on quoted company multiples. The FTSE All-Share® index has reduced by 32% and the FTSE AiM All-Share® by 57% over the period.

In the short term there remains uncertainty which continues to be reflected in market volatility.

Investment Activity

This year has been characterised by significant change and uncertainty. As a consequence, in the last nine months of the year in particular, we have seen a mismatch between vendors' and purchasers' price expectations. As a result your Company completed £0.99 million of new and follow-on investments in the first quarter of the year but only one follow-on investment into the portfolio in the last nine months of the year.

The first of the new investments completed was £0.44 million into Darwin Rhodes, an international recruitment company specialising in the actuarial, insurance and compliance markets. Whilst facing challenging markets the company has no debt and a broad geographical reach. The second investment was £0.40 million into K3 Business Technology Group. This company delivers supply chain management software, particularly to small and medium sized enterprises in the manufacturing and retail sectors. The follow-on investment completed in the first quarter of the year was a further £0.15 million into RMS which re-structured the mezzanine finance.

In October 2008 £0.12 million was invested into Ellfin Home Care to support its acquisition of Elmwood Home Care Limited.

Portfolio Performance

In marked contrast to the previous year market conditions were not conducive to achieving realisations. Nonetheless in total £0.34 million was realised from the portfolio. This comprised £0.16 million from the sale of shares in Connaught plc; £0.14 million from the unquoted portfolio and £0.04 million in loan repayments.

Although there has been significant downward pressure on valuations a number of the businesses within the portfolio continue to pursue expansion strategies. GO Outdoors is further expanding its number of stores and Waterfall Services, having completed the acquisition of Taylor Shaw, continues to seek further acquisitions. Ellfin Home Care also seeks to continue its plans of industry consolidation with a number of targets under review. All of these companies continue to trade in line with or above expectations.

The most significant reductions in valuation have occurred in RMS Group, Sheet Piling, Harris Hill, Harvey Jones and Darwin Rhodes. RMS has seen freight volumes reduce which is expected to continue throughout 2009; Sheet Piling has substantially repaid its borrowings, but has seen uneven trading patterns in the last twelve months; Harris Hill has seen a reduction in its recruitment market but continues to seek low cost acquisitions; Harvey Jones continues its roll-out plans but at a slower rate than previously and Darwin Rhodes has reduced some of its office network concentrating on the higher contributing areas of its business.

It is the case that more attention is being paid to reducing indebtedness in many of our investee companies in order to minimise any financial risk.

Summary and Outlook

The Company has been careful to preserve its cash position, and remaining monies not invested are held in quoted Government Securities. As a consequence the total value of cash and Government Securities was £16.15 million (2008: £12.36 million) at the year end, which represents 61.2% (2008: 47.2%) of the Company's net asset value.

Whilst in the short term economic conditions remain uncertain and volatile, which may in part put downward pressure on some valuations, these liquid resources place the Company in a strong position. Our belief remains that the medium term is likely to offer some excellent investment opportunities and this company remains well placed to take advantage of them as they arise.

David Hall
Managing Director
YFM Private Equity Limited
25 June 2009

Valuation of Investments

Initial Measurement

Financial assets are initially measured at fair value. The best estimate of fair value of a financial asset that is either quoted or not quoted in an active market is the transaction price (i.e. cost).

Subsequent Measurement

The International Private Equity and Venture Capital (IPEVC) Valuation Guidelines identify six of the most widely used valuation methodologies for unquoted investments. The Guidelines advocate that the best valuation methodologies are those that draw on external, objective market based data in order to derive a fair value. In these accounts only the first two methodologies have been used in valuing the unquoted portfolio.

Unquoted Investments

- **Price of recent investment.** This represents the cost of the investment or the price at which a significant amount of new investment has been made by an independent third party, but is only considered relevant for a limited period following the date of the relevant transaction. A period of twelve months is used in practice. During this period, the value of the investment is assessed for changes or events that would imply impairment to the fair value. In addition, the valuation technique also represents certain situations where, although the twelve month period has expired, an alternative valuation technique is not followed because an additional investment has been made by the Company at the same price as the previous investment and an alternative valuation technique would not result in a better estimate of fair value. The whole investment is also assessed for impairment.

- **Earnings multiple.** A multiple that is appropriate and reasonable, given the risk profile and earnings growth prospects of the underlying company, is applied to the maintainable earnings of that company.

- **Net assets.** The value of the business is derived by using appropriate measures to value the assets and liabilities of the investee company.

- **Discounted cash flows of the underlying business.** The present value of the underlying business is derived by using reasonable assumptions and estimations of expected future cash flows and the terminal value, and discounting by applying the appropriate risk-adjusted rate that quantifies the risk inherent in the company.

- **Discounted cash flows from the investment.** Under this method, the discounted cash flow concept is applied to the expected cash flows from the investment itself rather than the underlying business as a whole.

- **Industry valuation benchmarks.** Where appropriate comparator companies can be identified multiples of revenues may be used as a valuation benchmark.

Discounted cash flows and industry valuation benchmarks are only likely to be reliable as the main basis of estimating fair value in limited situations. Their main use is to support valuations derived using other methodologies and for assessing impairment.

Where an independent third party valuation exists, this will be used as the basis to derive the gross attributable enterprise value of the company. In other cases, the most suitable valuation technique, as set out above, is used to determine this value. This value is then apportioned appropriately to reflect the respective amounts accruing to each financial instrument holder in the event of a sale at that level at the reporting date.

Unquoted investments held in the form of loan investments are valued at fair value using the appropriate methodologies as used for valuing equity investments, these primarily being price of recent investment and discounted cashflows from the investment.

Quoted Investments

Quoted investments are valued at market bid price. No discounts are applied.

Directors

Helen Sinclair – Chairman (43)

Starting in investment banking, Helen spent nearly 8 years at 3i plc focusing on MBO and growth capital investments. She later co-founded Matrix Private Equity raising a successful technology fund, the Matrix Venture Fund VCT plc. She subsequently became Managing Director of Matrix Private Equity before moving to take on a portfolio of non-executive director roles in 2004. She is currently a non-executive director of The Income & Growth VCT plc and Matrix Income & Growth 4 VCT plc.

Philip Simon Cammerman (67)

Has over 20 years of industrial experience in engineering and technology orientated industries and has worked in both the USA and the UK. He has spent the last 24 years in the venture capital industry and was chairman of YFM Private Equity Limited and a director of YFM Group (Holdings) Limited until he retired in April 2008. He has been responsible for a wide range of venture capital deals in a variety of industries including software, computer maintenance, engineering, printing, safety equipment, design and textiles. He is a non-executive director of British Smaller Technology Companies VCT 2 plc and Pressure Technologies plc. He has been a director of the Company since its establishment as a venture capital trust.

Richard Last (51)

Richard Last is a Fellow of the Institute of Chartered Accountants in England and Wales with substantial experience in the IT software and services sectors, and is Chairman and non-executive director of Patsystems plc and Arcontech Group plc (both financial software businesses listed on AiM) and of British Smaller Technology Companies VCT 2 plc which is listed on the London Stock Exchange. He is also a non-executive director of Lighthouse Group plc and of Corero Group plc, both AiM listed. In addition he is also a director and Shareholder of a number of private companies including the IT companies Sphinx CST Limited and APD Communications Limited and is Non-Executive Chairman of CSE Global UK Limited, a subsidiary of a Singapore Stock Exchange listed company.

Robert Martin Pettigrew (64)

Has more than 20 years experience in the development of emerging businesses and, in particular, the commercial exploitation of new technologies. He co-founded The Generics Group of companies (renamed Sagentia) in 1986, which is one of the country's leading technology consulting and investment groups and was a key member of the team that took the company public in December 2000. He retired from The Generics Group at the end of 2002 to pursue independent investment activities. He is an investor-director on the board of a number of technology companies, including Sphere Medical Limited, Timberpost Limited, Xeros Ltd and Acal Energy Limited (of which he is Chairman). He is also a non-executive director of British Smaller Technology Companies VCT 2 plc.

Secretary and Registered Office

James Ernest Peter Gervasio LL.B.
Saint Martins House
210-212 Chapeltown Road
Leeds
LS7 4HZ

Registered No: 3134749

For the Year Ended 31 March 2009

The directors present their report and audited accounts of British Smaller Companies VCT plc ("the Company") for the year ended 31 March 2009.

Principal Activity

The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office and principal place of business is Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ.

The Company has its primary, and sole, listing on the London Stock Exchange.

The Company operates as a venture capital trust and has been approved by HM Revenue & Customs as an authorised venture capital trust under Chapter 3 part 6 of the Income Tax Act 2007. It is the directors' intention to continue to manage the Company's affairs in such a manner as to comply with Chapter 3 part 6 of the Income Tax Act 2007.

Statement of Recommended Practice

On 29 March 2004 the Company revoked investment company status and since that date has been preparing accounts in accordance with the requirements of Schedule 4 of the Companies Act 1985. The scope of the latest Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued January 2009 has been widened to incorporate VCTs for the first time and following the recommended early adoption, the Company is now required to comply with the requirements of this SORP. The main effect of this adoption is that the Company presents a two column Income Statement split between revenue and capital, and splits the Retained Earnings reserve between Revenue and Realised and Unrealised Capital reserves. The prior year comparatives have been restated accordingly.

Business Review

As in previous years, a review of the business's activities over the past 12 months and the outlook for future developments are included within the Chairman's Statement and Fund Manager's Review. The Company, in common with the venture capital trust industry, does not have any employees apart from the six directors who served during the year. The business and administrative duties of the Company are contracted to the Fund Manager, YFM Private Equity Limited, with the Board retaining the key decision matters for approval. Hence the Board manages the business affairs of the Company through regular management reports from YFM Private Equity and, through this process, ensures that it has sufficient resources to carry out its functions.

Principal Risks, Risk Management and Regulatory Environment

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

Investment and strategic – quality of enquiries, investments, investee company management teams and monitoring, the risk of not identifying investee underperformance might lead to under performance and poor returns to Shareholders.

Loss of approval as a Venture Capital Trust – 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. As such one of the key performance indicators monitored by the Company is the compliance with legislative tests. See below for more detail.

Regulatory – the Company is required to comply with the Companies Acts, the rules of the UK Listing Authority, International Accounting Standards and the Statement of Recommended Practice. Breach of any of these regulatory rules might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Reputational – inadequate or failed controls might result in breaches of regulations or loss of Shareholder trust.

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.

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

Market Risk – lack of liquidity in both the venture capital and public markets. Investment in AiM-traded 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. 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.

Liquidity Risk – The Company's investments may be difficult to realise. The fact that a share is traded on AiM 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.

The Board seeks to mitigate the internal risks by setting policy, regular review of performance, monitoring progress and compliance. The key performance indicators measure the Company's performance and its compliance with legislative tests. In the mitigation and management of these risks, the Board rigorously applies the principles detailed in the "Turnbull" guidance. Details of the Company's internal controls are contained in the Corporate Governance and Internal Control sections on pages 25 to 26.

Key Performance Indicators

The Company monitors a number of Key Performance Indicators as detailed below:

Total Return

The recognised measurement of financial performance in the industry is that of Total Return (expressed in pence per share) calculated by adding the total cumulative dividend paid to Shareholders from the date the Company was launched to the current reporting date, inclusive of any recoverable tax credits, to the net asset value at that date.

The chart showing the Total Return of the Company is included within the financial highlights on page 3.

The evaluation of comparative success of the Company's total return is by way of reference to the net cost of investment for the founder eligible Shareholder which was 80 pence per share (net of 20% basic tax relief) and by comparison to the FTSE All-Share® Index over that same period. This is the Company's stated benchmark index. A comparison of this return is shown in the Directors' Remuneration Report.

Compliance with VCT Legislative Tests

The main business risk facing the Company is the retention of VCT qualifying status. Under Chapter 3 part 6 of the Income Tax Act 2007, in addition to the requirement for a VCT's ordinary capital to be listed in the Official List on the London Stock Exchange throughout the period, there are five further tests that VCTs must meet on a continuing basis following the initial three year provisional period.

Income Test

The Company's income in the period must be derived wholly or mainly from shares or securities.

Retained Income Test

The Company must not retain more than 15% of its income from shares and securities.

Qualifying Holdings Test

At least 70% by value of the Company's investments must be represented throughout the period by shares or securities comprised in qualifying holdings of the Company.

Eligible Shares Test

At least 30% of the Company's qualifying holdings must be represented throughout the period by holdings of non-preferential ordinary shares.

Maximum Single Investment Test

The value of any one investment has, at any time in the period, not represented more than 15% of the Company's total investment value. This is calculated at the time of investment and further additions, and therefore cannot be breached passively.

The Board received regular reports on compliance with the VCT legislative tests from YFM Private Equity Limited. In addition, the Board receives formal reports from its VCT Status Adviser, PricewaterhouseCoopers LLP, twice a year.

The Board can confirm that during the period all of the VCT legislative tests have been met.

Results and Dividends

The Income Statement for the year is set out on page 32. The loss after taxation for the year amounted to £3,266,000 (2008: £2,205,000 profit).

Following the publication of the Company's interim financial results, a 2.0p per Ordinary share interim dividend (2008: 2.0p) was paid on 11 February 2009 to Shareholders on the register on 28 November 2008.

The directors recommend the payment of a final dividend of 3.0p per Ordinary share (2008: 3.0p) which will be paid on 13 August 2009 to Shareholders on the register on 10 July 2009. A resolution to this effect will be proposed at the Annual General Meeting to be held on 6 August 2009.

The net asset value per share at 31 March 2009 was 85.7p (2008: 102.1p). The transfer to and from reserves is given in the Statement of Changes in Equity on page 34.

Share Capital

As shown in note 11, the Company has only one class of Ordinary shares.

Issue and Buy-Back of Shares

During the year the Company purchased, under existing authority granted by the Shareholders, Ordinary shares of 10p each in the market as disclosed in the table below. These shares are held in treasury.

Date	Number of shares bought-back	% of Issued Share Capital at that date	Consideration paid per share
10 Jul 08	110,081	0.35%	89.50p
30 Sep 08	188,072	0.61%	88.50p

During the year the Company issued 5,379,239 Ordinary shares under the offers for subscription and directors' authority for the tax years 2007/2008 and 2008/2009 that closed on 5 April 2008 and 30 April 2008 respectively, raising net proceeds of £5,192,000. In addition the Company allotted a further 67,445 shares in respect of its dividend reinvestment scheme.

Annual General Meeting

Shareholders will find the Notice of the Annual General Meeting on page 51 of these financial statements.

The Ordinary Business includes a resolution (Ordinary Resolution (8)) to be proposed to authorise directors to issue and allot new shares. The Directors believe this to be in the Company's interest as from time to time the Company is approached by persons interested in purchasing new shares and if so authorised the directors will be able to respond positively to such applications. Resolution (9), being a Special Resolution, empowers the directors to allot such shares up to 10% of the issued share capital of the Company without regard to any rights of pre-emption on the part of existing Shareholders.

In addition the following resolutions, being special resolutions, are proposed as Special Business.

Special Resolution (10) authorises the Board to continue to allot shares under the Company's dividend reinvestment scheme for the period prior to the Annual General Meeting in 2014.

The Board recommends the renewal of the existing share buy back authority which expires on 6 August 2009 (shares purchased under this authority may be placed in treasury) and the authority for this is contained in Special Resolution (11).

Trade Payables Payment Policy

The Company's payment policy is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. Although the Company has no trade payables at the year end, the average number of payable days during the year was 17 (2008: 31).

Fund Manager

On 3 April 2008 YFM Group (Holdings) Limited, the ultimate parent company of YFM Private Equity Limited, the Company's Fund Manager, was sold to GLE Group which acquired its entire share capital. GLE operates a range of businesses, including property investment and development, business finance, business development and economic development consultancy.

There has been no change, and it is not envisaged that there will be any change, to either the members of the Company's investment team or to the operations of YFM Private Equity Limited that would have any material effect in respect of its relationship with British Smaller Companies VCT plc or its ability to operate the Company and manage its investment portfolio.

The Board is considering a draft European Union directive concerning hedge fund and private equity fund managers which is currently at the consultation stage. Insofar as the proposals affect the Company the directors will report further once the impact of the proposals is known.

Environment

The management and administration of the Company is undertaken by its Fund Manager. YFM Private Equity Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption.

Directors and their Interests

The directors of the Company at 31 March 2009, their interests and contracts of significance are set out in the Directors' Remuneration Report on pages 28 to 29.

Substantial Shareholding

The directors are not aware of any substantial shareholdings representing 3% or more of the Company's issued share capital at the date of this report.

Independent Auditors

The auditors, PKF (UK) LLP, have indicated their willingness to continue in office. A resolution to re-appoint them will be proposed at the Annual General Meeting.

VCT Status Monitoring

The Company has retained PricewaterhouseCoopers LLP to advise it on compliance with the legislative requirements of venture capital trusts. PricewaterhouseCoopers LLP reviews new investment opportunities as appropriate and carries out regular reviews of the Company's investment portfolio under the instruction of the Fund Manager to ensure legislative requirements are properly assessed.

Events After the Balance Sheet Date

There have been no significant events, including venture capital investments made, following the year end.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently:
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are published at www.yfmgroup.co.uk, which is a website maintained by the Company's Fund Manager. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The directors confirm that so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and that each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The directors confirm, to the best of their knowledge:

- that the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the management report 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 the principal risks and uncertainties that they face.

Statement of Corporate Governance

The Board is committed to the principle and application of sound Corporate Governance and confirms that the Company has taken appropriate steps, relevant to its size and operational complexity, to comply with the Combined Code on Corporate Governance, June 2008 (the "Combined Code").

The Board has complied throughout the year, and up to the date of this report, with Section 1 of the Combined Code, except for those provisions relating to the appointment of a recognised senior independent non-executive director, those relating to the establishment of an independent Remuneration Committee, the Chairman acting as chairman of the Audit Committee, and the presumption concerning her independence.

Role of the Board

A management agreement between the Company and YFM Private Equity Limited sets out the matters over which the Fund Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administration, and some marketing services. All other matters are reserved for approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board meets at least five times during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow directors to discharge their responsibilities.

There is an agreed procedure for directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every director has to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that applicable rules and regulations are complied with and that Board procedures are followed. The Company indemnifies its directors and officers and has purchased insurance to cover its directors. Neither the insurance nor the indemnity provide cover if the director has acted fraudulently or dishonestly.

Board Composition

The Board consists of four non-executive directors, all of whom are regarded by the Board as independent and all of whom are regarded as independent of the Company's Fund Manager, including the Chairman. Ms Helen Sinclair was appointed on 6 August 2008 as the Company's Chairman immediately upon Sir Andrew Hugh Smith's retirement.

Ms H Sinclair's independence was assessed on her appointment as a director in March 2008. Although the Combined Code presumes that the chairman of a company is deemed not to be an independent director, the remaining directors, having considered the nature of the role in this Company, are satisfied that Ms H Sinclair fulfills the criteria for independence as a non-executive director. The directors have a breadth of investment, business and financial skills and relevant experience to the Company's business and provide a balance of power and authority, including recent and relevant financial experience. Brief biographical details of each director are set out on page 18.

On 30 June 2008 Mr S J Noar resigned from the Board having been a non-executive director of the Company since 2005.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which are given below.

There are no executive officers of the Company. Given the structure of the Board and the fact that the Company's administration is conducted by YFM Private Equity Limited, the Company has not appointed a chief executive officer or a senior independent non-executive director. In addition, the directors consider that the role of a senior independent non-executive director is taken on by all of the directors. Shareholders are therefore able to approach any director with any queries they may have.

The Board is actively considering the implications of new Listing Rules concerning directors' independence which will take effect in September 2010 and which may affect the composition of the Board. The Directors will report further to Shareholders in due course.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by Shareholders. Thereafter, a director's appointment will run for a term of three years. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a director from seeking re-election but, when making a recommendation, the Board will take into account the ongoing requirement of the Combined Code, including the need to refresh the Board and its Committees. Any director who has served for a period of more than nine years will stand for annual re-election thereafter.

The Board seeks to maintain a balance of skills and the directors are satisfied that as currently composed the balance of experience and skills of the individual directors is appropriate for the Company in particular with regard to investment appraisal and investment risk management. Individual biographies are at page 18 of this report.

The terms and conditions of directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting.

The directors recommend the re-election of Mr P S Cammerman and Mr R Last both of whom retire by virtue of service for more than 9 years and the re-election of Mr R M Pettigrew, who retires by rotation, at this year's AGM because of their commitment, experience and contribution to the Company.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Directors who are not members of Committees may attend at the invitation of the Chairman.

The table below details the number of Board, Audit and Allotment Committee meetings attended by each director. During the year there were six formal Board meetings, two Audit Committee meetings, no Nomination Committee meetings and two Allotment Committee meetings. The directors met via telephone conference on five other occasions.

Director	Telephone conference	Board meetings attended	Audit Committee meetings attended	Allotment Committee meetings attended
Sir A H Smith (resigned 6 Aug 2008)	3	2	2	2
H Sinclair	3	6	2	–
R Last	5	5	2	–
P S Cammerman	4	6	2	2
S J Noar (resigned 30 Jun 2008)	–	1	1	–
R M Pettigrew	3	6	2	–

Training and Appraisal

On appointment, the Fund Manager and Company Secretary provide all directors with induction training. Thereafter, regular briefings are provided on changes in regulatory requirements that affect the Company and directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to venture capital trusts.

The performance of the Board has been evaluated in respect of the current financial year. The Board, led by the Chairman, has conducted a performance evaluation to determine whether it and individual directors are functioning effectively.

The factors taken into account were based on the relevant provisions of the Combined Code and included attendance and participation at Board and Committee meetings, commitment to Board activities and the effectiveness of the contribution.

Particular attention is paid to those directors who are due for reappointment. The results of the overall evaluation process are communicated to the Board. Performance evaluation continues to be conducted on an annual basis.

The Chairman has confirmed that the performance of the directors being proposed for election continues to be effective and that each of them continues to show commitment to the role. An independent director has similarly appraised the performance of the Chairman, taking account of the views of the directors. He considered that the performance of Ms H Sinclair continues to be effective and that she continues to demonstrate a commitment to the role.

Remuneration Committee

Due to the size of the Board and the remuneration procedures currently in place, in the directors' opinion, there is no role for an Independent Remuneration Committee. The Directors' Remuneration Report may be found on pages 28 and 29.

Audit Committee

The Audit Committee consists of H Sinclair, R Last, P S Cammerman (appointed to the Audit Committee with effect from 3 April 2008), R M Pettigrew and, until their resignations, Sir A H Smith and S J Noar. The Committee meets at least twice each year. The directors consider that it is appropriate that the Chairman of the Committee should be Helen Sinclair following the retirement of Sir Andrew Hugh Smith. The members of the Committee consider that they have the requisite skills and experience to fulfill the responsibilities of the Committee.

The Audit Committee reviews the actions and judgements of management in relation to the interim and annual financial statements and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Fund Manager's compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors.

Representatives of the Company's auditors attend the Committee meeting at which the draft Annual Report and financial statements are considered. The directors' statement on the Company's system of internal control is set out below.

The Audit Committee considers the independence and objectivity of the auditors on an annual basis. The Audit

Committee considers that the independence and objectivity of the auditors has not been impaired or compromised.

The Audit Committee has written terms of reference which define clearly its responsibilities, copies of which are available for inspection on request at the Company's registered office and at the AGM.

Nominations Committee

The Company has a Nomination Committee which consists of the directors who are considered by the Board to be independent of the Fund Manager. The Chairman of the Board acts as Chairman of the Committee.

In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

Relations with Shareholders

The Board regularly monitors the Shareholder profile of the Company. It aims to provide Shareholders with a full understanding of the Company's activities and performance, and reports formally to Shareholders twice a year by way of the Annual Report and the Interim Report. This is supplemented by the quarterly publication, through the London Stock Exchange, of the net asset value of the Company, and the daily publication of the Company's share price.

All Shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the directors and representatives of the Fund Manager are available in person to meet with and answer Shareholders' questions. In addition, representatives of the Fund Manager periodically hold Shareholder workshops which review the Company's performance and industry development. During the year, the Company's broker and the Fund Manager have held regular discussions with Shareholders. The directors are made fully aware of Shareholders' views. The Chairman and directors make themselves available, as and when required, to address Shareholder queries.

The directors may be contacted through the Company Secretary whose details are shown on page 18.

The Company's Annual Report is published in time to give Shareholders at least 21 clear days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 18. Separate resolutions are proposed for each separate issue. Proxy votes will be counted and the results announced at the Annual General Meeting for and against for each resolution.

Internal Control

Under an agreement dated 28 February 1996, the executive functions of the Company have been sub-contracted to YFM Private Equity Limited. The Board receives operational and financial reports on the current state of the business and on appropriate strategic, financial, operational and compliance issues. These matters include, but are not limited to:

- a clearly defined investment strategy for YFM Private Equity Limited, the Fund Manager to the Company;
- all decisions concerning the acquisition or disposal of investments are taken by the Board after due consideration of the recommendations made by the Fund Manager;
- regular reviews of the Company's investments, liquid assets and liabilities, and revenue and expenditure;
- regular reviews of compliance with the venture capital trust regulations to retain status;
- the Audit Committee reviews the internal control procedures adopted by the Fund Manager and the Board approves annual budgets prepared by the Fund Manager; and
- the Board receives copies of the Company's management accounts on a regular basis showing comparisons with budget. These include a report by the Fund Manager with a review of performance. Additional information is supplied on request.

The Board confirms that procedures to implement the guidance, Internal Control: Guidance for Directors on the Combined Code ("the Turnbull Report"), were in place throughout the year ended 31 March 2009 and up to the date of this report.

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board arranges its meeting agenda so that risk management and internal control is considered on a regular basis and a full risk and control assessment takes place no less frequently than twice a year. There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for longer than the year under review and up to the date of approval of the Annual Report. The process is formally reviewed bi-annually by the Board. However, due to the size and nature of the Company, the Board has concluded that it is not necessary at this stage to set up an internal audit function. This decision will be kept under review. The directors are satisfied that the systems of risk management that they have introduced are sufficient to comply with the terms of the Turnbull Report.

The directors have reviewed the effectiveness of the Company's systems of internal control for the year to the date of this report. The directors are of the opinion that the Company's systems of internal, financial, and other controls are appropriate to the nature of its business activities and methods of operation given the size of the Company.

Corporate Governance and Voting Policy

The Company delegates responsibility for monitoring its investments to YFM Private Equity Limited whose policy, which has been noted by the Board, is as follows:

YFM Private Equity Limited is committed to introducing corporate governance standards into the companies in which its clients invest. With this in mind, the Company's investment agreements contain contractual terms specifying the required frequency of management Board meetings and of annual Shareholders' meetings, and for representation at such meetings through YFM Private Equity Limited. In addition, provision is made for the preparation of regular and timely management information to facilitate the monitoring of investee company performance in accordance with the best practice in the private equity sector.

Going Concern

The directors have carefully considered the going concern issue and are satisfied that the Company has sufficient cash resources to meet its obligations for the foreseeable future. The directors therefore believe that it is appropriate to continue to apply the going concern basis in preparing the financial statements.

Investment Policy

The investment policy of the Company is to create a portfolio that blends a mix of companies operating in traditional industries with those that offer opportunities in the development and application of innovation.

The Company will invest in UK businesses across a range of sectors including Industrial, Healthcare, Software and Consumer Products in VCT qualifying and AiM traded securities which, under the legislation governing VCTs, requires that at least 70% by value of its holdings must be in 'qualifying holdings'. The maximum by value that the Company may hold in a single investment is 15%. Although the majority of investments will be in equities, in appropriate circumstances, preference shares and loan stock may be subscribed for, thereby spreading risk and enhancing yields.

The Company funds its investment programme out of its own resources and has no borrowing facilities for this purpose. The maximum that the Company may invest in any holding in any tax year is limited to £1 million and the average size of the Company's qualifying investment is £0.45 million (2008: £0.55 million). Typically the Company invests alongside other venture capital funds, such syndication spreading investment risk. Details of the amounts invested in individual companies are set out in the Fund Manager's Review which accompanies this report.

The Fund Manager, YFM Private Equity Limited, is responsible for the sourcing and screening of initial enquiries, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments. Once approved, further due diligence is carried out as necessary and HM Revenue & Customs clearance is obtained for approval as a qualifying VCT investment.

The Board reserves to itself the taking of all investment and divestment decisions save in the making of certain investments up to £250,000 in companies whose shares are to be traded on AiM and where the decision is required urgently, in which case the Chairman may act in consultation with the Fund Manager.

The Board regularly monitors the performance of the portfolio and the investment targets set by the relevant VCT legislation. Reports are received from YFM Private Equity Limited as to the trading and financial position of each investee company and members of the investment team regularly attend Board meetings. Monitoring reports are also received at each Board meeting on compliance with VCT investment targets so that the Board can ensure that the status of the Company is maintained and take corrective action where appropriate.

In the opinion of the directors the continuing appointment of YFM Private Equity Limited as Fund Manager is in the interests of the Shareholders as a whole in view of its experience in managing venture capital trusts and in making and exiting investments of the kind falling within the Company's investment policy.

Prior to the investment of funds in suitable qualifying companies, the liquid assets of the Company are invested in a portfolio of Government stocks or other similar fixed interest securities. Reporting to YFM Private Equity Limited, the portfolio is managed by Brewin Dolphin Securities Limited on a discretionary basis. The Board receives regular reports on the make-up and market valuation of this portfolio. Government stocks have been reclassified as non-current assets in the year, due to the volatility of the gilt markets during 2008 and 2009.

Financial Instruments

Further information on financial instruments is provided in Note 19 to the financial statements.

Financial Assets

Investments made in suitable qualifying holdings predominantly comprise Ordinary shares with, in some instances, either fixed rate coupon preference shares, cumulative unsecured loan stocks or debenture loans. Each investment is valued in accordance with the policy set out on page 17 of this report. Investments in fixed interest Government securities are valued at their market value as at the balance sheet date.

The Company invests in financial assets to comply with the VCT legislation and provide capital growth for Shareholders that can eventually be distributed by way of dividends. Unquoted venture capital investments normally take a number of years to mature and are, by nature, illiquid. Therefore, realised capital gains on these investments are a medium to long-term aim.

Due to the structure of certain investments, preference share redemptions and loan stock repayments may become due during the term of the investment. These are usually at fixed dates, although in some instances the investee company has the option of repaying earlier. In some instances the redemption carries a premium repayment.

The Board has set aside an amount of up to 20% of funds available for investment to be invested in AiM quoted companies that meet the Company's investment criteria.

Where appropriate, the Board will invest relatively small amounts in new share issues of AiM quoted companies for small minority holdings. Due to the existence of a quoted share price, opportunities to realise these investments will occur on a more frequent basis than for unquoted investments. When making investments in AiM quoted companies it is the Board's intention to hold that investment for the medium-term to achieve capital growth for the Shareholders. However, the Board regularly reviews these investments so that opportunities for realisation can be acted upon at the most appropriate time.

Investments in Government stocks are held solely for the purpose of liquidity whilst waiting for suitable qualifying investment opportunities to arise. Therefore, trading in these stocks is determined mainly by the demand for venture capital funds.

In addition to monies put into Quoted Government Securities the Company will on occasion, in accordance with VCT legislation, invest surplus liquid resources in high quality AAA rated funds. Subsequent to the year end £3,500,000 was placed in such funds.

Details of financial assets held at 31 March 2009 can be found in the Fund Manager's Review and notes 7 and 19 to these Financial Statements.

This report was approved by the Board on 25 June 2009 and signed on its behalf by:

Helen Sinclair
Chairman

Directors' Remuneration Report

The Board does not have a separate Remuneration Committee due to the size of the Board and the remuneration procedures currently in place. In the directors' opinion and under the Listing Rules, there is no requirement for an independent Remuneration Committee.

Directors and their Interests

The directors of the Company at 31 March 2009 and their beneficial interests in the share capital of the Company (including those of immediate family members) were as follows:

	Number of Ordinary shares at 31 March 2009	Number of Ordinary shares at 31 March 2008
H Sinclair	**7,270**	–
P S Cammerman	**35,880**	30,916
R Last	**31,136**	21,490
R M Pettigrew	**28,159**	28,159

None of the directors have subscribed for further shares since the year end. None of the directors held any option to acquire additional shares at any time during either year.

Brief biographical notes on the directors are given on page 18. In accordance with the Company's Listing Particulars, no director has a contract of service with the Company that entitles him or her to any benefit other than the remuneration disclosed below, and, save as described under "Administration" below, no contract subsisted during or at the end of the year in which any director was materially interested and which was significant in relation to the Company's business. The Company does not offer compensation for loss of office when a director leaves.

The Company had no employees, other than its directors, in either year.

Administration

YFM Private Equity Limited has acted as Fund Manager and performed administrative and secretarial duties for the Company since 28 February 1996. The principal terms of the agreement are set out in note 3 to the financial statements. YFM Private Equity Limited is authorised and regulated by the Financial Services Authority. Mr Cammerman was a director of YFM Private Equity Limited until 3 April 2008, and until that date had a beneficial shareholding interest in its ultimate parent company YFM Group (Holdings) Limited.

Under the Subscription Rights Agreement dated 28 February 1996, YFM Private Equity Limited has a performance-related incentive, structured so as to entitle it to an amount (satisfied by the issue of Ordinary shares) equivalent to 10% of the total return to Shareholders. However, this incentive will only apply in the event that the return to Shareholders (after taking account of the effect of the incentive) is at least equal to the movement in the FTSE Actuaries All-Share® Index over the relevant period, calculated on a total return basis. No entitlement has accrued to YFM Private Equity Limited in either year under this incentive agreement. By a Deed of Assignment dated 19 December 2003, the benefit of the subscription right was assigned to YFM Private Equity Limited Trust, an employee benefit trust formed for the benefit of certain employees of YFM Private Equity Limited and associated companies. Mr Cammerman is one of the beneficiaries of that Trust.

As outlined in the Chairman's Statement, the Board has reviewed this incentive scheme and changes to the Performance Incentive Scheme will be put to Shareholders at a General Meeting which has been convened to immediately follow the Annual General Meeting. Details of this proposal have been set out in a separate Circular to Shareholders.

Basic Remuneration (audited)

Total directors' remuneration for the year amounted to £84,821 (2008: £46,250) all of which was paid to six (2008: five) individuals for services as directors and none of which was paid to third parties in respect of directors' services.

The total fees paid in respect of individual directors who served during the year were as follows

	2009 £	2008 £
Sir A H Smith (resigned 6 Aug 2008)	**5,238**	15,000
H Sinclair	**27,877**	1,250
P S Cammerman	**16,349**	–
R Last	**16,429**	10,000
S J Noar (resigned 30 Jan 2008)	**2,499**	10,000
R M Pettigrew	**16,429**	10,000

There are no executive directors (2008: none). Mr Cammerman, who until 3 April 2008 was a director of the Company's Fund Manager, has received fees for his services as director of the Company with effect from 4 April 2008. None of Mr Cammerman's remuneration from YFM Private Equity Limited is considered to relate to his role with the Company.

It is the Company's policy not to provide any performance emoluments, benefits in kind, any other emoluments or pension contributions to any director. No directors are, or have previously been, entitled to shares under any share option or long-term incentive schemes.

The 'Basic Remuneration' section is the only part of the Director's Remuneration Report subject to audit. All other sections are not subject to audit.

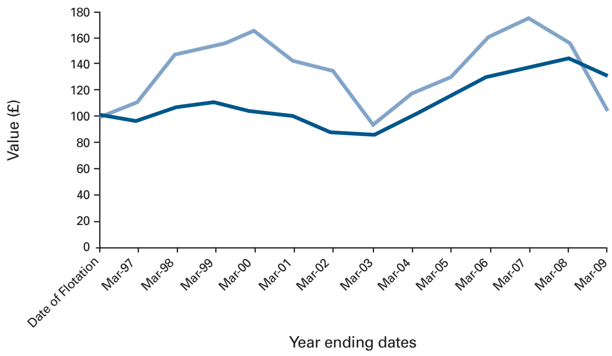
Performance Graphs

The graphs opposite show a comparison between the Company's total Shareholder return compared with the companies in the FTSE All-Share® Index from the date of flotation to 31 March 2009. The directors consider this to be the most appropriate published index on which to report on comparative performance given the focus of your Company's investments are invariably in relatively early stage unquoted companies.

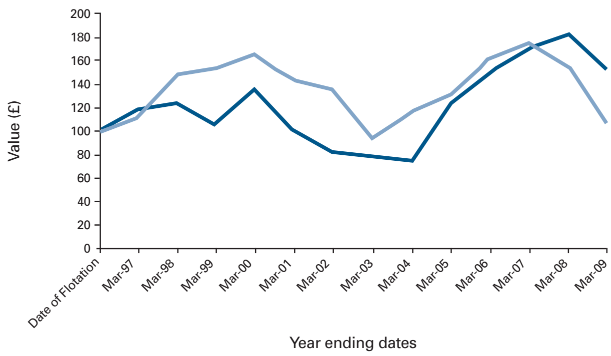
The first graph looks at the value, calculated by reference to the net asset value and cumulative dividends paid (note 13) of £100 invested in the Company's shares, excluding tax relief received on this investment, with the value of £100 invested in the FTSE All-Share® Index over the same period.

The second graph displays the share price return from the date of flotation to 31 March 2009 compared to the FTSE All-Share® Index. It shows that at 31 March 2009 a hypothetical £100 invested in the Company at the time of its listing on the London Stock Exchange would have generated a total return of £151 compared with £106 if invested in the FTSE All-Share® Index. This assumes that at the time of flotation the tax relief given on the £100 investment was also invested in shares of the Company. Therefore this graph shows the share price return based on the initial investment of £100 purchasing 125 shares at £0.80 each, rather than 100 shares at £1.00 each. Furthermore the calculation of share price return assumes that any dividends received have been reinvested in the Company's shares at the prevailing quoted share price at the end of the financial period to which the dividends relate.

Net Asset Value Return



Share Price Return



British Smaller Companies VCT plc
FTSE All-Share®

This report was approved by the Board on 25 June 2009 and signed on its behalf by

Helen Sinclair
Chairman

Independent Auditors’ Report

To the Members of British Smaller Companies VCT plc

We have audited the financial statements of British Smaller Companies VCT plc for the year ended 31 March 2009 which comprise the Income Statement, the Balance Sheet, the Statement of Changes In Equity, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information in the Directors' Report includes that specific information presented in the Chairman’s Statement and Fund Manager’s Review that is cross referenced from the business review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Fund Manager’s Review, the Directors' Report, the unaudited part of the Directors' Remuneration Report and the rest of the unaudited information in this Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PKF (UK) LLP
Registered Auditors
London
25 June 2009

Income Statement

For the year ended 31 March 2009

	Notes	2009 Revenue £000	2009 Capital £000	2009 Total £000	2008 Revenue (restated) £000	2008 Capital (restated) £000	2008 Total £000
Gains on realisation of investments	7	**–**	**110**	**110**	–	2,318	2,318
Losses on investments held at fair value	7	**–**	**(3,748)**	**(3,748)**	–	(343)	(343)
Income	2	**1,173**	**–**	**1,173**	1,035	–	1,035
Administrative expenses:	3						
Fund management fee		**(164)**	**(494)**	**(658)**	(152)	(458)	(610)
VAT recovery		**83**	**189**	**272**	–	–	–
Other expenses		**(415)**	**–**	**(415)**	(195)	–	(195)
		(496)	**(305)**	**(801)**	(347)	(458)	(805)
Profit (loss) before taxation		**677**	**(3,943)**	**(3,266)**	688	1,517	2,205
Taxation	4	**(121)**	**121**	**–**	(117)	117	–
Profit (loss) for the year attributable to equity shareholders		**556**	**(3,822)**	**(3,266)**	571	1,634	2,205
Basic and diluted earnings (loss) per Ordinary share	6	**1.81p**	**(12.43)p**	**(10.62)p**	2.20p	6.31p	8.51p

The accompanying notes on pages 36 to 50 are an integral part of these financial statements.

The total column of this statement represents the Company's income statement, prepared in accordance with International Financial Reporting Standards ('IFRS'). 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 2009

	Notes	2009 £000	2008 (restated) £000
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	7	**22,161**	24,573
Current assets			
Trade and other receivables	8	**672**	1,114
Cash and cash equivalents	9	**3,697**	730
		4,369	1,844
Liabilities			
Current liabilities			
Trade and other payables	10	**(130)**	(219)
Net current assets		**4,239**	1,625
Net assets		**26,400**	26,198
Shareholders' equity			
Share capital	11	**3,187**	2,642
Share premium account		**15,236**	10,502
Capital redemption reserve		**221**	221
Treasury share reserve		**(931)**	(666)
Realised capital reserve		**–**	847
Unrealised capital reserve		**(1,389)**	2,543
Special reserve		**2,408**	2,408
Retained earnings		**7,668**	7,701
Total shareholders' equity		**26,400**	26,198
Basic and diluted net asset value per ordinary share	12	**85.7p**	102.1p

The accompanying notes on pages 36 to 50 are an integral part of these financial statements.

The Balance Sheet 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 (SORP) to show additional reserves.

The financial statements were approved and authorised for issue by the Board of Directors on 25 June 2009 and were signed on its behalf by:

Helen Sinclair
Chairman

Statement of Changes in Equity

For the year ended 31 March 2009

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Treasury share reserve £000	Realised capital reserve (restated) £000	Unrealised capital reserve (restated) £000	Special reserve £000	Retained earnings (restated) £000	Total equity £000
Balance at 31 March 2007	**2,148**	**1,813**	**221**	**–**	**–**	**–**	**2,408**	**10,198**	**16,788**
Adjustment for SORP	–	–	–	–	(1,814)	4,311	–	(2,497)	–
Restated at 31 March 2007	2,148	1,813	221	–	(1,814)	4,311	2,408	7,701	16,788
Revenue return for the year	–	–	–	–	–	–	–	571	571
Capital expenses	–	–	–	–	(341)	–	–	–	(341)
Unrealised loss on investments held at fair value	–	–	–	–	–	(343)	–	–	(343)
Realisation of prior year unrealised gains	–	–	–	–	1,425	(1,425)	–	–	–
Realisation of investments in the year	–	–	–	–	2,318	–	–	–	2,318
Dividends	–	–	–	–	(741)	–	–	(571)	(1,312)
Purchase of own shares	–	–	–	(666)	–	–	–	–	(666)
Issue of Ordinary share capital	981	8,722	–	–	–	–	–	–	9,703
Issue costs of Ordinary shares	–	(525)	–	–	–	–	–	–	(525)
C share conversion	(487)	492	–	–	–	–	–	–	5
Balance at 31 March 2008	**2,642**	**10,502**	**221**	**(666)**	**847**	**2,543**	**2,408**	**7,701**	**26,198**
Revenue return for the year	–	–	–	–	–	–	–	556	556
Capital expenses	–	–	–	–	(184)	–	–	–	(184)
Unrealised loss on investments held at fair value	–	–	–	–	–	(3,748)	–	–	(3,748)
Realisation of prior year unrealised gains	–	–	–	–	184	(184)	–	–	–
Realisation of investments in the year	–	–	–	–	110	–	–	–	110
Dividends	–	–	–	–	(957)	–	–	(589)	(1,546)
Purchase of own shares	–	–	–	(265)	–	–	–	–	(265)
Issue of Ordinary share capital	538	4,979	–	–	–	–	–	–	5,517
Issue of share capital on DRIS*	7	53	–	–	–	–	–	–	60
Issue costs of Ordinary shares	–	(298)	–	–	–	–	–	–	(298)
Balance at 31 March 2009	**3,187**	**15,236**	**221**	**(931)**	**–**	**(1,389)**	**2,408**	**7,668**	**26,400**

The accompanying notes on pages 36 to 50 are an integral part of these financial statements.

The Statement of Changes in Equity 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 (SORP) to show additional reserves.

The treasury reserve was created for the purchase of own shares. The capital redemption reserve was created for the purchase and cancellation of own shares.

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

The unrealised capital 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 the resolution of the Shareholders to cancel the Company's share premium account and is available for use for other corporate purposes of the Company.

The special reserve, realised capital reserve and retained earnings reserve are all distributable reserves. These reserves total £10,076,000 (2008: £10,956,000) representing a decrease of £880,000 (2008: £2,661,000 increase) during the year. This change arises from the loss in the year of £3,266,000 (2008: £2,205,000 profit), movements in the unrealised capital reserve of £3,932,000 (2008: £1,768,000) and dividends of £1,546,000 (2008: £1,312,000).

* DRIS being the dividend reinvestment scheme.

Cash Flow Statement

For the year ended 31 March 2009

	Notes	2009 £000	2008 (restated) £000
Net cash inflow (outflow) from operating activities	14	**166**	(26)
Cash flows used in investing activities			
Purchase of financial assets at fair value through profit or loss	7	**(6,714)**	(19,891)
Proceeds from sale of financial assets at fair value through profit or loss	7	**6,148**	12,953
Net cash used in investing activities		**(566)**	(6,938)
Cash flows from financing activities			
Issue of Ordinary shares		**5,436**	9,784
Cost of Ordinary share issue		**(244)**	(579)
Purchase of own Ordinary shares		**(339)**	(721)
Dividends paid		**(1,486)**	(1,312)
Net cash from financing activities		**3,367**	7,172
Net increase in cash and cash equivalents		**2,967**	208
Cash and cash equivalents at the beginning of the year		**730**	522
Cash and cash equivalents at the end of the year	9,15	**3,697**	730

The accompanying notes on pages 36 to 50 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2009

1. Principal Accounting Policies

Basis of Preparation

The accounts have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention modified to include the fair values of financial assets at fair value through profit or loss.

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 SORP is applicable for accounting periods beginning 1 January 2009 and the Company has chosen to adopt early.

The main impact of adopting the SORP has been the presentation of the income statement, with income and costs being analysed between revenue and capital, together with the restatement of reserves and some additional disclosures in the financial statements.

Investments in quoted Government Securities have been reclassified from cash equivalents due to the increased volatility in the gilt market during the year and, as a consequence, the failure to meet the definition in IAS 7 'Cash flow statements' of short-term highly liquid investments that are readily convertible into known amounts of cash and subject to insignificant risk of change in value. Government Securities are valued at market bid prices.

The financial statements are prepared in accordance with IFRS and interpretations in force at the reporting date. The IASB has issued a revised version of IAS 1 'Presentation of Financial Statements'. The changes made require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. The revised standard will come into effect for annual periods beginning on or after 1 January 2009 and has therefore not been adopted in these financial statements.

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted in these financial statements. These include amendments to IFRS 1, IFRS 2, IFRS 3, IFRS 7, IFRS 8, IAS 14, IAS 23, IAS 27, IAS 32 and IAS 39 and the issue of IFRICs 12 to 18. These changes are not expected to have a material impact on the financial statements.

Investments Held at Fair Value Through Profit or Loss

Financial assets designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with the documented investment strategy of the Company. Information about these financial assets is provided internally on a fair value basis to the Company's key management. The Company's investment strategy is to invest cash resources in venture capital investments as part of the Company's long-term capital growth strategy. Consequently, all investments are classified as held at fair value through profit or loss.

Transaction costs on purchases are expensed immediately through the income statement in accordance with IFRS.

All investments are measured at fair value with gains and losses arising from changes in fair value being included in the Income Statement as gains or losses on investments held at fair value.

Quoted investments are valued at market bid prices.

Unquoted investments are valued in accordance with IAS 39 'Financial Instruments: Recognition and measurement' and where appropriate the International Private Equity and Venture Capital Valuation Guidelines issued in October 2006. A detailed explanation of the valuation policies of the Company is included on page 17.

Although the Company holds more than 20% of the equity of certain companies, it is considered that the investments are held as part of the investment portfolio and their value to the Company lies in their marketable value as part of that portfolio, so none represent investments in associated undertakings. These investments are therefore not accounted for using equity accounting, as permitted by IAS 28 'Investments in associates' and IAS 31 'Financial reporting of interest in joint ventures', which give exemptions from equity accounting for venture capital organisations.

1. Principal Accounting Policies (continued)

Under IAS 27 'Consolidated and separate financial statements' control is presumed to exist when the parent owns directly or indirectly more than half of the voting power by a number of means. The Company does not hold more than 50% of the equity of any of the companies within the portfolio. In addition, it does not control any of the companies held as part of the investment portfolio. It is not considered that any of the holdings represent investments in subsidiary undertakings.

Investments in quoted Government Securities have been reclassified from cash equivalents as disclosed in the 'Basis of Preparation' note on page 36.

Income

Dividend income on unquoted equity shares is recognised at the time when the right to the income is established. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis using the effective interest rate over the life of the financial instrument. Income which is not likely to be received within a reasonable period of time is reflected in the capital value of the investment.

Expenses

Expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the Income Statement, except for fund management fees which are allocated in part to the capital column of the Income Statement, to the extent that these relate to an enhancement in the value of the investments and in line with the Board's expectation that over the long term 75% of the Company's investment returns will be in the form of capital gains.

Tax relief is allocated to the capital reserve using a marginal rate basis.

Realised Capital Reserve

This reserve includes gains and losses compared to cost on the realisation of investments, expenses, together with the related taxation effect, charged to this reserve in accordance with the above policy. Also included are capital dividends paid to Shareholders.

Unrealised Capital Reserve

This reserve includes increases and decreases in the valuation of investments held at fair value.

Special Reserve

The special reserve was created following the approval of the Court and the resolution of the Shareholders to cancel the Company's share premium account. The special reserve is a distributable reserve and is available for other corporate purposes of the Company.

Taxation

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, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments which arises.

Deferred tax is recognised on all temporary differences that have originated, but not reversed, by the balance sheet date.

Deferred tax assets are only recognised to the extent that they are regarded as recoverable. Deferred tax is calculated at the tax rates that are expected to apply when the asset is realised.

Segmental Reporting

Business segments are considered to be the primary reporting segment. The directors are of the opinion that the Company has engaged in a single segment of business of investing in equity and debt securities and therefore no segmental reporting is provided.

Geographical segments are considered to be the secondary reporting segment. An analysis of investments and the remaining assets and liabilities of the Company by geographical segment has not been given, as the results are not considered to be significant.

1. Principal Accounting Policies (continued)

Dividends Payable

Dividends payable are recognised only when an obligation exists. Interim dividends are recognised when paid and final and special dividends are recognised when approved by Shareholders in general meetings.

Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine the fair value of investments at fair value through the profit or loss.

The fair value of investments at fair value through profit or loss is determined by using valuation techniques. As explained above, the Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions at each balance sheet date.

2. Income

	2009 £000	2008 £000
Income from investments:		
– Dividends from unquoted companies	**24**	53
– Dividends from AiM quoted companies	**77**	51
	101	104
– Interest on loans to unquoted companies	**274**	216
– Fixed interest Government securities	**748**	643
Income from investments held at fair value through profit or loss	**1,123**	963
Other income	**–**	11
Interest on deposits	**50**	61
	1,173	1,035

3. Administrative Expenses

	2009 £000	2008 £000
Fund management fee (including irrecoverable VAT)	**658**	610
VAT recoverable	**(272)**	–
Other expenses:		
Administration fee (including irrecoverable VAT)	**53**	57
Directors' remuneration	**85**	46
Auditors' remuneration:		
– audit fees	**18**	12
General expenses	**259**	80
	415	195
	801	805

YFM Private Equity Limited provides fund management services to the Company under an agreement dated 28 February 1996. The agreement may be terminated by not less than 12 months' notice given by either party at any time. No notice has been issued to or by YFM Private Equity Limited terminating the contract as at the date of this report.

3. Administrative Expenses (continued)

The key features of the agreement are:

- YFM Private Equity Limited receives a fund management fee, payable quarterly in advance, at the rate of 2% of gross assets less current liabilities, calculated at half-yearly intervals as at 31 March and 30 September. The fund management fee is allocated between the capital reserve and revenue account as described in note 1.
- Under this same agreement YFM Private Equity Limited also provides administrative and secretarial services to the Company for a fee based on £35,000 (at 28 February 1996) per annum plus annual adjustments to reflect movements in the Retail Prices Index. This fee is charged fully to the revenue account.

The total remuneration payable to YFM Private Equity Limited in the year (including VAT) was £711,000 (2008: £667,000).

The details of directors' remuneration are set out in the Directors' Remuneration Report on page 28 under the heading "Basic Remuneration".

Under the Subscription Rights Agreement dated 28 February 1996 (assigned as described on page 28), The YFM Private Equity Limited Trust has a performance-related incentive, structured so as to entitle it to an amount (satisfied by the issue of Ordinary shares) equivalent to 10% of the total return to Shareholders. However, this incentive will only apply in the event that the return to Shareholders (after taking account of the effect of the incentive) is at least equal to the movement in the FTSE Actuaries All-Share® Index over the relevant period, calculated on a total return basis. No entitlement has accrued to YFM Private Equity Limited Trust in either year under this incentive agreement.

The Board is recommending that Shareholders replace the existing incentive scheme. Details of the proposed new arrangement are contained in a separate Circular accompanying the Annual Report and Accounts.

Included with administrative expenses is the refund from HM Revenue & Customs following the ruling that management fees for venture capital trusts are to be exempt from VAT from 1 October 2008 and that claims can be back-dated for a period of up to three years. The claim was submitted to HMR&C on the Company's behalf by its Fund Manager, YFM Private Equity Limited. Although HMR&C have not yet formally agreed the claim, payment was made in full after the year end. The recovery has been allocated to the revenue and capital account on the same basis as the current year administration and fund management fees.

4. Taxation

	2009			2008		
	Revenue	**Capital**	**Total**	Revenue (restated)	Capital (restated)	Total
	£000	**£000**	**£000**	£000	£000	£000
Corporation tax payable at 21% (2008: 20%)	**121**	**(121)**	**–**	117	(117)	–
Profit (loss) before taxation	**677**	**(3,943)**	**(3,266)**	688	1,517	2,205
Profit (loss) before taxation multiplied by standard small company rate of corporation tax in UK of 21% (2008: 20%)	**142**	**(828)**	**(686)**	138	303	441
Effect of:						
UK dividends received	**(21)**	**–**	**(21)**	(21)	–	(21)
Non taxable losses (profits) on investment	**–**	**764**	**764**	–	(395)	(395)
Excess management expenses	**–**	**(57)**	**(57)**	–	(25)	(25)
Tax charge (credit)	**121**	**(121)**	**–**	117	(117)	–

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

Deferred tax assets of £284,000 calculated at 21% (2008: £358,000 calculated at 20%) in respect of unrelieved management expenses 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.

4. Taxation (continued)

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.

5. Dividends

Amounts recognised as distributions to equity holders in the year.

	2009 Revenue £000	2009 Capital £000	2009 Total £000	2008 Revenue (restated) £000	2008 Capital (restated) £000	2008 Total £000
Interim dividend for the year ended 31 March 2009 – 2.0p per Ordinary share; paid 11 February 2009 (2008: 2.0p per Ordinary share)	**–**	**615**	**615**	–	520	520
Final dividend for the year ended 31 March 2008 – 3.0p per Ordinary share; paid 8 August 2008 (2007: 3.0p per Ordinary share)	**589**	**342**	**931**	571	221	792
	589	**957**	**1,546**	571	741	1,312

The interim dividend of 2.0p per share was declared on 20 November 2008 and paid on 11 February 2009 to Shareholders on the register on 28 November 2008.

A final dividend of 3.0p per share in respect of the year to 31 March 2009, amounting to £925,000, is proposed. This has not been recognised in the year ended 31 March 2009 as the obligation did not exist at the balance sheet date.

6. Basic and Diluted (Loss) Earnings per Ordinary Share

The basic and diluted (loss) earnings per Ordinary share is based on the loss for the year after tax of £3,266,000 (2008: £2,205,000 profit) and 30,760,716 (2008: 25,915,480) shares, being the weighted average number of shares in issue during the year.

The basic and diluted revenue return per Ordinary share is based on the profit for the year after tax of £556,000 (2008: £571,000) and 30,760,716 (2008: 25,915,480) shares being the weighted average number of shares in issue during the year.

The basic and diluted capital return per Ordinary share is based on the loss for the year after tax of £3,822,000 (2008: £1,634,000 profit) and 30,760,716 (2008: 25,915,480) shares being the weighted average number of shares in issue during the year.

During the year the Company issued 5,446,684 Ordinary shares. The Company also repurchased 298,153 of its own shares, which are held in treasury.

The 1,050,955 treasury shares have been excluded in calculating the weighted average number of Ordinary shares during the year (2008: 752,802). The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted (loss) earnings per share are the same.

7. Financial Assets at Fair Value Through Profit or Loss

All items held as fair value through profit or loss were designated as such upon initial recognition. Movements in investment at fair value through profit or loss during the year to 31 March 2009 are summarised as follows:

	Unquoted Equity Investments £000	Unquoted Loan Investments £000	Quoted Equity Investments £000	**Total Quoted and Unquoted £000**	Fixed Income Securities £000	**Total Investments £000**
Opening cost	4,139	3,661	3,037	**10,837**	11,436	**22,273**
Opening unrealised gain	585	–	1,525	**2,110**	190	**2,300**
Opening fair value at 1 April 2008	**4,724**	**3,661**	**4,562**	**12,947**	**11,626**	**24,573**
Additions at cost	391	322	402	**1,115**	5,599	**6,714**
Disposal proceeds	(138)	(44)	(158)	**(340)**	(5,148)	**(5,488)**
Net profit (loss) realised on disposal	137	–	7	**144**	(34)	**110**
Changes in fair value in the year	(1,501)	(1,138)	(1,521)	**(4,160)**	412	**(3,748)**
Closing fair value at 31 March 2009	**3,613**	**2,801**	**3,292**	**9,706**	**12,455**	**22,161**
Closing cost	4,531	3,939	3,427	**11,897**	11,896	**23,793**
Closing unrealised (loss) gain	(918)	(1,138)	(135)	**(2,191)**	559	**(1,632)**
Closing fair value at 31 March 2009	**3,613**	**2,801**	**3,292**	**9,706**	**12,455**	**22,161**

Movements in investment at fair value through profit or loss during the year to 31 March 2008 are summarised as follows:

	Unquoted Equity Investments £000	Unquoted Loan Investments £000	Quoted Equity Investments £000	**Total Quoted and Unquoted £000**	Fixed Income Securities £000	**Total Investments £000**
Opening cost	3,854	863	2,773	**7,490**	4,414	**11,904**
Opening unrealised gain (loss)	915	–	3,222	**4,137**	(69)	**4,068**
Opening fair value at 1 April 2007	**4,769**	**863**	**5,995**	**11,627**	**4,345**	**15,972**
Additions at cost	434	2,994	1,342	**4,770**	15,121	**19,891**
Disposal proceeds	(1,227)	(196)	(3,767)	**(5,190)**	(8,075)	**(13,265)**
Net profit realised on disposal	840	–	1,462	**2,302**	16	**2,318**
Changes in fair value in the year	(92)	–	(470)	**(562)**	219	**(343)**
Closing fair value at 31 March 2008	**4,724**	**3,661**	**4,562**	**12,947**	**11,626**	**24,573**
Closing cost	4,139	3,661	3,037	**10,837**	11,436	**22,273**
Closing unrealised gain	585	–	1,525	**2,110**	190	**2,300**
Closing fair value at 31 March 2008	**4,724**	**3,661**	**4,562**	**12,947**	**11,626**	**24,573**

The total of fair value adjustments below cost made against unquoted investments at 31 March 2009 amounted to £2,529,000 (2008: £471,000). This includes no amounts written off such investments in 2009 or 2008.

There have been no individual write-downs or provisions during the year which exceeded 5% of the total assets of the Company (2008: none).

Fixed income securities are UK Government stocks and are classified as investments at fair value through profit or loss. Their use is as temporary holdings until capital investment opportunities arise.

7. Financial Assets at Fair Value Through Profit or Loss (continued)

The following disposals took place in the year:

	Net proceeds from sale £000	Cost £000	Opening carrying value at 1 April 2008 £000
Connaught plc	158	11	151
Denison Mayes Limited	20	20	20
RMS Group Holdings Limited	24	24	24
RMF Engineering Limited	42	–	–
Secure Mail Services Limited	96	–	–
	340	55	195

Significant Interests

At 31 March 2009 the Company held a significant holding of at least 20% of the issued ordinary share capital, either individually or alongside commonly managed funds, in the following companies:

Company	Principal activity	No. of shares	Class of shares held	Percentage of class held by the Company	Percentage of class held by other commonly managed funds
Darwin Rhodes Group Limited	Recruitment	6,008	Ordinary	1.2%	–
		54,063	A Ordinary	11.5%	52.3%
Ellfin Home Care Limited	Healthcare	217	A Ordinary	21.7%	78.3%
		50,289	B Ordinary	21.7%	78.3%
Fishawack Limited	Healthcare communications	22,667	Ordinary	5.5%	22.5%
Freshroast Coffee Co. Limited	Manufacturing	5,271	Ordinary	13.0%	13.0%
GO Outdoors Limited	Consumer Products	1,875	Ordinary	1.5%	–
		34,141	A Ordinary	100%	–
Harris Hill Holdings Limited	Recruitment	37,143	A Ordinary	9.3%	23.2%
		22,857	B Ordinary	28.6%	71.4%
Harvey Jones Limited	Manufacture/Distribution	21,149	A Ordinary	6.9%	23.2%
		56,566	B Ordinary	22.2%	74.9%
Images at Work Limited	Consumer Products	75,000	Ordinary	33.3%	–
Primal Pictures Limited	Medical Information	79,680	Ordinary	3.8%	16.6%
RMS Group Holdings Limited	Stevedoring/Logistics	180,010	A Ordinary	8.8%	25.5%
Sheet Piling (UK) Limited	Construction	32,659	B Ordinary	36.0%	–
Waterfall Services Limited	Healthcare	54,555	A Ordinary	18.0%	4.5%
(formerly Cater Plus Services Limited)		45,455	B Ordinary	44.4%	11.1%

Commonly managed funds refer to those funds also under the management of YFM Private Equity Limited, the Fund Manager to the Company, both on a discretionary and a non-discretionary basis.

In a number of cases the issued ordinary share capital of an investee company is split into different classes of shares and thus the percentages given above do not necessarily represent the Company's (or other commonly managed funds') percentage holding of an investee company's total equity. The Company does not hold more than 50% of the equity of any company in the investment portfolio, either on its own or in conjunction with other commonly managed funds.

7. Financial Assets at Fair Value Through Profit or Loss (continued)

YFM Private Equity Limited, the Company's Fund Manager, also acts as fund manager or discretionary fund manager to certain other funds under its management that have also invested in some of the companies within the current portfolio of the Company. Details of these investments are summarised below. The amounts shown below are the net cost of investments as at 31 March 2009 and exclude those companies which are in receivership or liquidation.

	British Smaller Technology Companies VCT 2 plc £000	North West Business Investment Scheme £000	The Yorkshire Fund LP £000	Yorkshire Enterprise Finance Limited £000	Baring English Growth Fund (North) LP £000	The Chandos Fund LP £000	Total £000	Total for this Company £000
Brulines plc (formerly Brulines (Holdings) plc)	81	–	–	–	–	–	81	163
Cambridge Cognition Limited	240	–	–	–	–	–	240	325
Darwin Rhodes Group Limited	–	–	–	–	–	950	950	444
Ellfin Home Care Limited	296	1,098	–	–	–	1,657	3,051	769
Fishawack Limited	–	–	–	–	–	2,050	2,050	500
Freshroast Coffee Co. Limited	–	–	6	–	–	–	6	5
Hargreaves Services plc	–	–	–	–	238	–	238	469
Harris Hill Holdings Limited	–	–	–	–	–	1,811	1,811	600
Harvey Jones Holdings Limited	389	–	–	–	–	2,234	2,623	777
K3 Business Technology Group plc	-	502	–	–	–	–	502	402
Patsystems plc	317	–	–	–	325	–	642	222
Pressure Technologies plc	300	–	–	–	–	–	300	425
Primal Pictures Limited	961	–	–	25	–	–	986	500
RMS Group Holdings Limited	399	–	–	–	–	1,425	1,824	1,026
Waterfall Services Limited (formerly Cater Plus Services Limited)	250	–	–	–	–	–	250	1,000

8. Trade and Other Receivables

	2009 £000	2008 £000
Amounts receivable within one year:		
Trade receivables	**123**	37
Prepayments and accrued income	**332**	431
Less: Allowances for credit losses on trade receivables	**(55)**	(14)
Other debtors	**272**	660
	672	1,114
Allowance for credit losses on trade receivables:		
Allowances at at 1 April	**14**	–
Additions – charged to income statement	**41**	14
Allowances as at 31 March	**55**	14

Trade receivables are assessed for impairment when older than 90 days. As of 31 March 2009 there were no trade receivables past due but not impaired (2008: £nil).

As of 31 March 2009, trade receivables of £55,000 (2008: £14,000) were impaired and provided for. The ageing of these receivables is as follows:

	2009 £000	2008 £000
3 – 6 months	**24**	14
6 – 12 months	**17**	-
More than 12 months	**14**	-

The maximum exposure to credit risk at the reporting date in respect of trade and other receivables is £672,000 (2008: £1,114,000). The Company does not hold any collateral as security. The carrying amounts of the Company's trade and other receivables are denominated in sterling.

9. Cash and Cash Equivalents

	2009 £000	2008 (restated) £000
Cash at bank	**3,697**	730

Investments in quoted Government Securities have been reclassified from cash equivalents in the year as disclosed in the 'Basis of Preparation' note on page 36.

10. Trade and Other Payables

	2009 £000	2008 £000
Amounts payable within one year:		
Accrued expenses	**66**	62
Other creditors	**64**	157
	130	219

11. Called-up Share Capital

	2009 Authorised £000	2009 Allotted, Called-up and Fully paid £000	2008 Authorised £000	2008 Allotted, Called-up and Fully paid £000
Ordinary shares of 10p				
Authorised: 165,000,000 (2008: 165,000,000)	**16,500**		16,500	
Issued: 31,870,847 (2008: 26,424,163)		**3,187**		2,642

The movement in the year was as follows:

	Date	Number of shares	Share Capital £000
Total as at 1 April 2008		26,424,163	2,642
Issue of shares	7 April 2008	5,041,746	504
Issue of shares	1 May 2008	337,493	34
Issue of shares	11 February 2009	67,445	7
As at 31 March 2009 (including treasury shares)		31,870,847	3,187

During the year the Company purchased 298,153 (2008: 752,802) of its own shares at an arithmetical average of 89 pence per share. These shares are held on the balance sheet in the treasury share reserve. Full details of the share purchases are set out in the Directors' Report under the heading 'Share Capital and Purchase of Own Shares'. At the year end the number of shares held in treasury was 1,050,955 (2008: 752,802).

The capital and assets of the Company shall on winding-up or a return of capital (otherwise than on a purchase by the Company of any of its shares) be divided amongst the Ordinary Shareholders pro rata according to the nominal capital paid up on their holdings of Ordinary shares.

12. Basic and Diluted Net Asset Value per Ordinary Share

The net asset value per share is calculated on attributable assets of £26,400,000 (2008: £26,198,000) and 30,819,892 (2008: 25,671,361) shares in issue at the year end, excluding treasury shares.

The treasury shares have been excluded in calculating the number of Ordinary shares in issue at 31 March 2009. The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted net asset values per share are the same.

13. Total Return per Ordinary Share

The Total return per share is calculated on cumulative dividends paid of 45.0 pence per Ordinary share (2008: 40.0 pence per Ordinary share) plus the net asset value as calculated per note 12.

14. Reconciliation of (Loss) profit before Taxation to Net Cash Inflow (Outflow) from Operating Activities

	2009 £000	2008 £000
(Loss) profit before tax	**(3,266)**	2,205
Increase in prepayments and accrued income	**(276)**	(230)
Increase (decrease) in accruals	**70**	(26)
Profit on realisation of investments in the year	**(110)**	(2,318)
Revaluation of investments in the year	**3,748**	343
Net cash inflow (outflow) from operating activities	**166**	(26)

Cash movements above include the following:	2009 £000	2008 £000
Dividends received	**101**	104
Interest received		
– gilt interest	**724**	641
– deposit interest	**51**	61
Total interest	**775**	702

15. Analysis of Changes in Cash and Cash Equivalents

	31 March 2008 (restated) £000	Cash flow £000	Other non cash changes £000	31 March 2009 £000
Cash and cash equivalents	730	2,967	–	**3,697**

Investments in Quoted Government Securities have been reclassified from cash equivalents as disclosed in the 'Basis of Preparation' note on page 36.

16. Financial Commitments

There have been no investments approved by the Board of Directors at 31 March 2009 that have not been reflected in these accounts (2008: one). Since the year end no further investments have been approved by the Board (2008: none).

17. Related Party Transactions

Until 3 April 2008 Mr Cammerman, a director of the Company, was executive chairman of YFM Private Equity Limited, the Fund Manager to the Company, and a wholly owned subsidiary of YFM Group Limited which held 1.6% of the issued share capital of British Smaller Companies VCT plc at 31 March 2009 (2008: 2.0%). Until 3 April 2008 Mr Cammerman was also a director of YFM Group (Holdings) Limited, the ultimate parent company of YFM Private Equity Limited, in which he had a beneficial shareholding.

Mr Cammerman was appointed a non-executive director of Pressure Technologies plc on 14 April 2008. During the year Mr Cammerman received £13,075 (2008: £nil) from Pressure Technologies plc in respect of his services. Mr Cammerman holds a 0.02% equity stake in Pressure Technologies plc.

Mr Last is a non-executive director of Patsystems plc, having been appointed to the post in 2002. During the year Mr Last received £44,367 (2008: £30,000) from Patsystems plc in respect of his services. Mr Last holds a 0.44% equity stake in Patsystems plc.

YFM Group Limited, the intermediate parent company of YFM Private Equity Limited, the Fund Manager to the Company, holds investments in Primal Pictures Limited, an investee company of the Company. At 31 March 2009 YFM Group's investment in Primal Pictures Limited was valued at £25,428 (2008: £43,050).

18. Events after the Balance Sheet Date

There have been no significant events, including venture capital investments made, following the year end.

19. Financial Instruments

The Company has no derivative financial instruments and has no financial asset or liability for which hedge accounting has been used in either year. The Company classifies its financial assets as either fair value through profit or loss or loans and receivables.

The investments are valued in accordance with the policy stated on page 17. It is the directors' opinion that the carrying value of trade receivables and trade payables approximates their fair value due to their short term maturity. Therefore, the directors consider all assets to be carried at a valuation which equates to fair value.

Investments are made in a combination of equity and fixed rate financial instruments so as to comply with venture capital trust legislation and provide potential high future capital growth. Surplus funds are held in fixed rate Government Securities until suitable qualifying investment opportunities arise.

In addition to monies put into Government Securities the Company will on occasion, in accordance with VCT legislation, invest surplus liquid resources in high quality AAA rated funds. Subsequent to the year end £3,500,000 was placed in such funds.

In accordance with IAS 39, the Company has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain criteria set out in the standard. No embedded derivatives have been identified by the Company.

The accounting policies for financial instruments have been applied to the items below:

Assets as per balance sheet	**2009**		2008	
	Loans and receivables £000	**Assets at fair value through profit or loss £000**	Loans and receivables (restated) £000	Assets at fair value through profit or loss (restated) £000
Cash and cash equivalents	**3,697**	**–**	730	–
Trade and other receivables	**238**	**–**	942	–
Investments at fair value through profit or loss	**–**	**22,161**	–	24,573
Total financial instruments	**3,935**	**22,161**	1,672	24,573
Other assets – not financial instruments	**434**	**–**	172	–
	4,369	**22,161**	1,844	24,573

Liabilities as per balance sheet	**2009**	2008
	Other financial liabilities £000	Other financial liabilities £000
Trade and other payables	**130**	219

Assets classified as fair value through profit or loss were designated as such upon initial recognition. Investments in Quoted Government Securities have been reclassified from cash equivalents as disclosed in the 'Basis of Preparation' note on page 36.

19. Financial Instruments (continued)

At 31 March 2009 and 31 March 2008, the financial assets and liabilities, by value, comprised:

	2009		2008	
	£000	%	£000	%
Venture capital investments				
Ordinary shares	**6,482**	**24.6%**	8,727	33.3%
Loan stock	**2,801**	**10.6%**	3,661	14.0%
Preferred Ordinary shares	**423**	**1.6%**	559	2.1%
	9,706	**36.8%**	12,947	49.4%
Fixed interest Government Securities	**12,455**	**47.2%**	11,626	44.4%
Cash at bank	**3,697**	**14.0%**	730	2.8%
Other financial assets	**238**	**0.9%**	942	3.6%
Other financial liabilities	**(130)**	**(0.5)%**	(219)	(0.8)%
	25,966	**98.4%**	26,026	99.4%
Other assets – not financial instruments	**434**	**1.6%**	172	0.6%
	26,400	**100.0%**	26,198	100.0%

The Company's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Company is exposed are market risk, credit risk and liquidity risk. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below.

19a Market Risk

The Company invests in new and expanding businesses, the shares of which may not be traded on the stock market. Consequently, exposure to market factors, in relation to many investments, stems from market based measures that may be used to value unlisted investments.

The market also defines the value at which investments may be realised. Returns are therefore maximised when investments are bought or sold at appropriate times in the economic cycle.

Stock market valuations govern the Company's ability to rebase its Financial Intermediaries and Claims Office (FICO) ratios, for compliance with VCT regulations. Consequently, market movements also present a low level compliance risk, although the Company currently operates well within its FICO thresholds.

The Company has no significant exposure to exchange rate risk.

Equity Price Risk

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Company's investment objectives. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements. In addition, the ability of the Company to purchase or sell investments is also constrained by requirements set down for venture capital trusts.

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet as fair value through profit or loss. The Company is not exposed to commodity price risk.

To manage price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Board. Exposure to any one stock is limited to 20% of the total cost of investments and 25% of total NAV. The Board seeks to invest in counter-cyclical stocks where these are identified.

48% of the Company's equity investments by value are traded on AiM (2008: 49%). A 15% increase in stock prices as at 31 December 2009 would have increased the net assets attributable to the Company's Shareholders and the total profit for the year by £494,000 (2008: £684,000). An equal change in the opposite direction would have decreased the net assets attributable to the Company's Shareholders and the total profit for the year by an equal amount.

19. Financial Instruments (continued)

52% of the Company's equity investments by value are in unquoted companies held at fair value (2008: 51%). The valuation methodology for these investments includes the application of externally produced FTSE multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. A 15% increase in the valuations of unquoted investments at 31 December 2009 would have increased the net assets attributable to the Company's Shareholders and the total profit for the year by £542,000 (2007: £708,000). An equal change in the opposite direction would have decreased the net assets attributable to the Company's Shareholders and the total profit for the year by an equal amount.

The largest single concentration of risk relates to the Company's investment in GO Outdoors Limited which constitutes 5.7% (2008: 6.0%) of the net assets attributable to the Company's Shareholders. The Board seeks to mitigate this risk by diversifying the portfolio and monitors the status of all investments on an ongoing basis. The average investment, excluding those suffering full impairment, is 1.4% (2008: 2.0%) of the value of net assets.

Interest Rate Risk

The Company's venture capital investments include £2,801,000 (2008: £3,661,000) of loan stock in unquoted companies. This loan stock is predominantly at fixed rates to guard against fluctuations in interest rates. The Company is exposed to interest rate risk on 1.6% of its loan stock portfolio (2008: 1.8%). The Company has some exposure to interest rates as a result of interest earned on bank deposits. The Company's exposure to interest rate risk is judged to be immaterial.

Other financial assets, being prepayments and accrued income and other financial liabilities, being accrued expenses, attract no interest and have an expected maturity date of less than 1 year.

	2009			2008		
	£000	**Weighted average interest rate**	**Weighted average time for which rate is fixed Months**	£000	Weighted average interest rate	Weighted average time for which rate is fixed Months
Fixed Rate Loan Stock	**2,756**	**9.61%**	**43**	3,661	11.22%	53
Government Gilts	**12,455**	**5.23%**	**24**	11,626	5.19%	47
Combined	**15,211**	**6.03%**	**27**	15,287	6.72%	48

19b Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Fund Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets excluding equity investments total £19,614,000 (2008: £17,518,000) which best represents the maximum credit risk exposure at the balance sheet date.

Credit risk arising on fixed interest instruments is mitigated by investing in UK Government Stock. The Company does not invest in floating rate instruments other than unquoted loan stock. Credit risk on unquoted loan stock held within unlisted investments is considered to be part of market risk as disclosed above.

The fair value of the loans and receivables is not regarded as having changed due to the changes in credit risk in either year.

The cash held by the Company is held across a number of banks to spread the risk. Bankruptcy or insolvency of these banks may cause the Company's rights with respect to the cash held by the bank to be delayed or limited. The Company banks with a large reputable bank and broker for the gilts. Should the credit quality or the financial position of the banks deteriorate significantly the Fund Manager or gilt manager will move the cash holdings to another bank.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The Board monitors the quality of service provided by the brokers used to further mitigate this risk. All the assets of the Company which are traded on a recognised exchange are held by Singer Capital Markets, the Company's broker. Bankruptcy or insolvency of the broker may cause the Company's rights with respect to securities held by the broker to be delayed or limited. The Board monitors the Company's risk by reviewing the broker's internal control reports on a regular basis.

19. Financial Instruments (continued)

The maturity dates of the loan stock portfolio are as follows:

	2009 £000 <1 Year	2009 £000 1-2 Years	2009 £000 2-5 Years	2008 £000 <1 Year	2008 £000 1-2 Years	2008 £000 2-5 Years
Unquoted Loan Investments	**56**	**56**	**2,689**	585	450	2,626

The past due maturity dates of the loan stock portfolio are as follows:

	2009 £000 1 month	2009 £000 3-6 months	2009 £000 >6 months	2008 £000 1 month	2008 £000 3-6 months	2008 £000 >6 months
Interest	**–**	**24**	**31**	–	14	–
Capital	**–**	**–**	**99**	–	99	–

The capital is not yet scheduled for repayment but is presented as such as required by IFRS 7.

19c Liquidity Risk

The Company invests in financial assets to comply with the venture capital trust legislation and provide capital growth for Shareholders that can eventually be distributed by way of dividends. Unquoted venture capital investments normally take a number of years to mature and are, by their nature, illiquid. Therefore, realised capital gains on these investments are a medium-to-long term aim. As a result, the Company may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The Company also needs to retain enough liquid resources to support the financing needs of its investment businesses. To meet this aim the Company invests its surplus funds in government gilts. The Company's listed securities are considered to be readily realisable as they relate solely to UK Government stock, which is widely traded. Investments in Government stocks are held for the purpose of liquidity whilst waiting for suitable qualifying investment opportunities to arise. Consequently, trading in these stocks is determined by the demand for venture capital funds.

Due to the structure of certain investments, loan stock repayments may become due during the term of the investment. These are usually at fixed dates, although in some instances the investee company has the option of repaying earlier.

The Company's liquidity risk is managed on an ongoing basis by the Fund Manager in accordance with policies and procedures in place. The cash requirements of the Company in respect of each investment are assessed at monthly portfolio meetings.

The Company's overall liquidity risks are monitored on a quarterly basis by the Board. The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. 14.0% (2008: 2.8%) of the Company's assets are in the form of liquid cash. There are no undrawn committed borrowing facilities at either year end.

Fair Value Methods and Assumptions

Detailed valuation policies in respect of the investment portfolio are set out on page 17. Where investments are in quoted stocks, fair value is set at market price. Non-quoted investments are valued in line with IPEVC valuation guidelines. The primary methods used, and the key assumptions relating to them, are:

Price of recent investment – The cost of the investment is taken as a reasonable assessment of fair value for period of up to one year. During this period performance against budget is monitored for evidence of impairment. Valuations may be re-based following substantial investment by a third party when this offers evidence that there has been a change to fair value.

Earnings multiple – The appropriate sector FTSE multiples are used as a market-based indication of the enterprise value of an investment company. A discount is applied by the Fund Manager based on the perceived market interest in that company or sector and on any benefit that may be observed by holding a significant shareholding or superior rights.

Although permitted by the IPEVC, other valuation methods have not been used in the year.

20. Capital Management

The Company's objectives when managing capital are:

- to safeguard its ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders; and
- to ensure sufficient liquid resources are available to meet the funding requirements of its investments and to fund new investments where identified.

The Company has no external debt, consequently all capital is represented by the value of share capital, distributable and other reserves. Total Shareholder equity at 31 March 2009 was £26.4 million (2008: £26.2 million).

In order to maintain or adjust its capital structure the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets.

There have been no changes in capital management objectives or the capital structure of the business from the previous period. The Company is not subject to any externally imposed capital requirements.

No: 3134749

BRITISH SMALLER COMPANIES VCT PLC

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at 23 Berkeley Square, London, W1J 6HE, on 6 August 2009 at 11.30am for the following purposes:

To consider and, if thought fit, pass the following resolutions, which shall be proposed as Ordinary Resolutions and Special Resolutions.

As Ordinary Business

ORDINARY RESOLUTIONS

(1) That the Annual Report and Accounts for the year ended 31 March 2009 be received.

(2) That the final dividend of 3.0p per Ordinary Share for the year ended 31 March 2009 be approved.

(3) That the Directors' Remuneration Report be approved.

(4) That Mr P S Cammerman be re-elected as a Director.

(5) That Mr R M Pettigrew be re-elected as a Director.

(6) That Mr R Last be re-elected as a Director.

(7) That PKF (UK) LLP be re-appointed as independent auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that the directors be authorised to fix their remuneration.

(8) That pursuant to section 80 of the Companies Act 1985 (“the Act”):

8.1 the Directors shall have unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (as defined in section 80(2) of the Act) of the Company to such persons, at such time and generally on such terms and conditions as the Directors may determine. The authority hereby conferred shall expire on 6 August 2014 (unless previously renewed, varied or revoked by the Company in general meeting), and the maximum nominal value of such relevant securities as aforesaid which may be allotted pursuant to such authority shall be £13,312,915 being the authorised but unissued share capital of the Company at 31 March 2009;

8.2 the Directors shall be entitled under the authority conferred or under the renewal thereof to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities as aforesaid to be allotted after the expiry of such authority and to allot relevant securities accordingly, notwithstanding that the authority conferred by this resolution has expired.

As Special Business

SPECIAL RESOLUTIONS

(9) That subject to the passing of resolution 8 above pursuant to section 95 of the Companies Act 1985 ("the Act"):

9.1 the Directors be and that they are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in Section 94(2) to 94(3A) of the Act) for cash pursuant to the authority conferred upon them by resolution (8) above as if section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities (as defined in Section 94(2) to 94(3A) of the Act) each in capital of the Company up to 10 per cent of the issued Ordinary Share capital of the Company as at 31 March 2009, during the period commencing on the date of the passing of the resolution and ending on 6 August 2014 (unless previously revoked, extended or varied by the Company in general meeting) except that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 94(3A) of the Act as if in this resolution the words “pursuant to the authority conferred upon them by resolution (8) above” were omitted.

(10) That pursuant to Article 166 of the Company's Articles of Association, the Board be and is hereby authorised to offer holders of shares in the Company the right to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part to be determined by the Board) of all or any dividend declared in the period commencing on 6 August 2009 and ending immediately prior to the Annual General Meeting in 2014 pursuant to the Company's dividend reinvestment scheme.

(11) That in substitution for any existing authority but without prejudice to the exercise of any such power prior to the date hereof, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary Shares of 10p in the capital of the Company provided that:

11.1 the maximum aggregate number of Ordinary Shares authorised to be purchased is 4,777,440 being 14.99% of issued Ordinary Shares as at 31 March 2009;

11.2 the maximum price which may be paid for an Ordinary Share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;

11.3 the minimum price which may be paid for an Ordinary Share is its nominal value;

11.4 this authority shall take effect from 6 August 2009 and shall expire at the conclusion of the Company's next Annual General Meeting or on the expiry of 15 months following the passing of the resolution, whichever is the earlier; and

11.5 the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

BY ORDER OF THE BOARD

J E P Gervasio
Secretary
25 June 2009

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

Notes to the notice of the Annual General Meeting:

(1) A member of the Company entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

(2) A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars or you may photocopy this form. Please indicate on the line below the proxy's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

(3) To be valid, a form of proxy must be lodged with the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time of appointment for holding the Meeting.

(4) In accordance with Regulation 41 of The Uncertified Securities Regulations 2001, only those members entered on the Company's register of members not later than 6.00pm on 4 August 2009, or if the Meeting is adjourned, Shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned Meeting, shall be entitled to attend and vote at the Meeting.

(5) Completion and return of a form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting if he wishes to do so.

(6) Biographical details concerning the three Directors retiring and offering themselves for re-election can be found at page 18 of the Annual Report.

(7) Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly. In accordance with Section 325 of the 2006 Act, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the 2006 Act. Persons nominated to receive information rights under section 146 of the Act who have been sent a copy of this Notice of Meeting are hereby informed, in accordance with Section 149 (2) of the 2006 Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this Meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

British Smaller Companies VCT plc

Form of Proxy

To be used at the Annual General Meeting of the Company to be held at 23 Berkeley Square, London, W1J 6HE on 6 August 2009 at 11.30am

I/We …………………………………………………………………................... being a member/members of the above named Company entitled to attend and vote at the Annual General Meeting of the Company hereby appoint the Chairman of the Meeting or (see note a)

……………………………….................................... of ………………………………………………………………………………………
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 6 August 2009 at 11.30am and at any adjournment thereof.

Number of Ordinary Shares proxy is appointed over……………………………………………………………………………………………...

Please also tick here if you are appointing more than one proxy. ☐

My/our proxy is to vote as indicated below.

ORDINARY RESOLUTIONS	FOR	AGAINST	WITHHELD
1. To receive the Annual Report and Accounts	☐	☐	☐
2. To approve a final dividend	☐	☐	☐
3. To approve the Directors' Remuneration Report	☐	☐	☐
4. To re-elect as a director Mr P S Cammerman	☐	☐	☐
5. To re-elect as a director Mr R M Pettigrew	☐	☐	☐
6. To re-elect as a director Mr R Last	☐	☐	☐
7. To reappoint PKF (UK) LLP as auditors	☐	☐	☐
8. To give authority to allot shares	☐	☐	☐
SPECIAL RESOLUTIONS			
9. Waiver of pre-emption rights in relation to the allotment of shares	☐	☐	☐
10. To authorise the Directors to continue to offer shares under the dividend reinvestment scheme	☐	☐	☐
11. To authorise the Company to make purchases of its own shares	☐	☐	☐

Signature……………………………………..…... Dated …………………………………………2009

NOTES

(a) If you wish to appoint a proxy or proxies other than the Chairman of the Meeting please insert that person's name and address and delete (initialling the deletion) "the Chairman of the Meeting or". A proxy need not be a Member of the Company. You may attend and vote at the Meeting instead of any proxy appointed by you if you so wish.

(b) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars or you may photocopy this form. Please indicate on the line below the proxy's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

(c) Please indicate by inserting "X" in the appropriate box the way in which your proxy is to vote. If you do not do so, your proxy may vote or abstain as he thinks fit. Your proxy will have the authority to vote at his discretion on any amendment or other motion proposed at the Meeting, including any motion to adjourn the Meeting. This proxy will only be used in the event of a poll being directed or demanded.

(d) This form of proxy must be signed by the appointor or his attorney duly authorised in writing or if the appointor is a corporation this proxy must be given under its Common Seal or be signed by an officer or attorney duly authorised in writing.

(e) To be valid, this form of proxy duly completed and any power of attorney or other authority (if any) under which it is notarially certified, or office copy of such power or authority, must be deposited at the office of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time appointed for holding the above Meeting or (as the case may be) adjourned Meeting.

(f) The resolutions are set out in full in the Notice of Annual General Meeting.

(g) In accordance with Section 325 of the 2006 Act, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the 2006 Act. Persons nominated to receive information rights under section 146 of the Act who have been sent a copy of this Notice of Meeting are hereby informed, in accordance with Section 149 (2) of the 2006 Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this Meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

(h) The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

Financial Summary

	Year ended 31 March 2009	Year ended 31 March 2008	Year ended 31 March 2007	Year ended 31 March 2006	Year ended 31 March 2005
Income	**£1,173,000**	£1,035,000	£327,000	£413,000	£396,000
(Loss) profit before and after tax	**£(3,266,000)**	£2,205,000	£1,225,000	£2,180,000	£(45,000)
(Loss) profit per Ordinary share	**(10.62)p**	8.51p	7.82p	14.55p	(0.29)p
Cumulative dividend paid	**45.0p**	40.0p	35.0p	30.5p	26.8p
Net assets attributed to Ordinary shares	**£26,400,000**	£26,198,000	£15,394,000	£15,260,000	£13,090,000
Net asset value per Ordinary share	**85.7p**	102.1p	101.3p	97.5p	86.6p
Total return per Ordinary share	**130.7p**	142.1p	136.3p	128.0p	113.4p

Advisers to the Company

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Leeds LS7 4HZ

Registrars
Capita Registrars
The Registry
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Beckenham
Kent BR3 4TU

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Bankers
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Leeds LS1 5QB

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London W1S 1AX

Fixed Interest Securities Adviser
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