

British Smaller Companies VCT plc

Interim Report for the 6 months ended 30 September 2010



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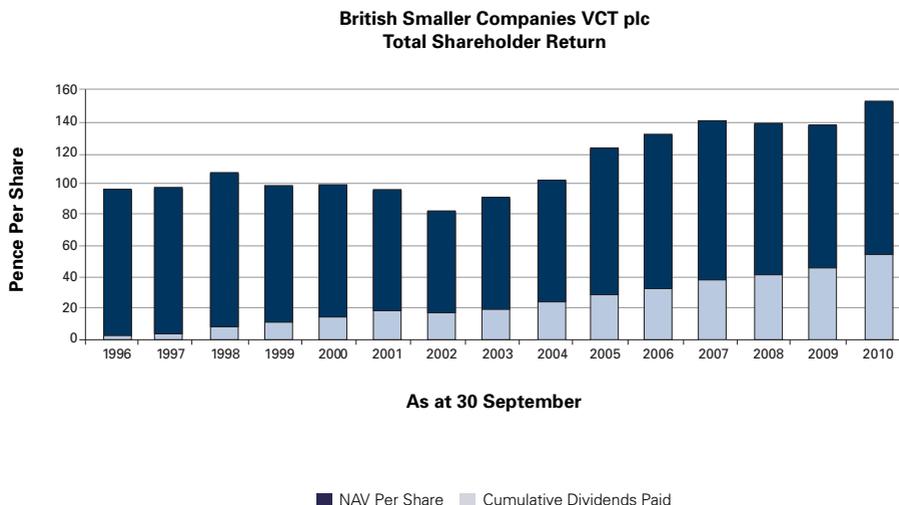
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FINANCIAL HIGHLIGHTS

For the 6 months ended 30 September 2010

The Total Return as at 30 September 2010 to those Shareholders who invested in the first round of fundraising is 153.0 pence per share. This compares to 138.6 pence per share at 30 September 2009 and 144.4 pence per share at 31 March 2010.

The chart below sets out the aggregate of the Net Asset Value of the Company and the cumulative dividends paid.



CHAIRMAN'S STATEMENT

The first six months of this financial year have seen a continued period of uncertainty with some recent signs of economic recovery, following the change in government and an emergency budget to address the high level of public borrowings. Several of our portfolio companies have seen an improvement in prospects but significant uncertainty remains after the recent announcements of substantial budget cuts for public bodies. This is likely to have an impact on the speed and sustainability of the UK's economic recovery.

Several of the Company's unquoted portfolio companies have recorded improved results over the first half of the financial year leading to an increase in unrealised investment holding values of £3.19 million. Although the economic climate remains uncertain the portfolio companies as a whole are well funded with low levels of bank debt. The quoted portfolio has remained stable but experienced an overall decline in holding values of £0.56 million following the administration of Connaught (which resulted in a loss in the period of £0.79 million). The resulting net increase in the valuation of the portfolio by £2.63 million taken together with the £0.04 million decrease in the value of gilts over the first six months of the year amounts to an overall gain on investments held at fair value of £2.59 million.

The market for new investments has been subdued since 2007. However in recent months the Fund Manager has begun to see an increase in the number of investment

opportunities with management teams looking to fund expansion plans and vendors prepared to consider corporate sales. Whilst the banks continue to take a very cautious approach and there remains uncertainty over the speed of economic recovery, some businesses do feel sufficiently confident to commit to long term growth plans.

Your Board remains confident of the medium and long term prospects of the Company and consequently we are proposing to maintain the interim dividend at 2.0 pence per share. The dividend will be paid on 7 January 2011 to Shareholders on the register at 10 December 2010.

A special dividend of 1.25 pence per share arising on the profit from the sale of Sheet Piling (UK) Limited was paid in September 2010, together with the final dividend of 3.0 pence per share. Your Board recommends that the level of interim dividend be maintained at 2.0 pence per share.

CHAIRMAN'S STATEMENT

Interim Management Report

Several of our portfolio companies have made significant progress in the period. GO Outdoors has continued to trade strongly, with several other businesses now experiencing improved market conditions including RMS, Harvey Jones, Darwin Rhodes and Harris Hill. Fishawack and Waterfall Services are beginning to reap the benefits of recent acquisitions. With the improving debt markets the Fund Manager was able to conclude a refinancing of RMS resulting in a £0.49 million capital realisation, a £0.05 million uplift over the total March value, with a residual carrying value at September 2010 of £0.36 million.

The level of new investment opportunities under consideration has increased which has translated into new investments for the Company and some acquisitions for the portfolio. In May 2010 the Company invested a further £157,000 into Fishawack to help fund the acquisition of another UK-based medical communications company, Alpha Plus, in order to expand the existing customer base and improve efficiency. In July 2010 the Company invested £0.25 million into a new AIM business, EKF Diagnostics, a healthcare diagnostics group with a buy & build strategy. In September 2010 the Company invested £0.50 million as part of a £4.00 million subscription of growth capital into Bluebell Telecom to lead a consolidation of the fragmented telecommunication service market.

The pipeline of new opportunities remains strong, with a £1.00 million investment into mining safety and valve group, President Engineering Group Ltd, completing just after the reported period. Your Board hopes to see a continued number of attractive investment opportunities over the months ahead.

Financial Results

The revenue profit before tax for the period was £0.45 million which compares to £0.35 million for the same period in 2009. The capital profit before tax for the six months to September 2010 is £2.46 million which compares to a £2.08 million profit for the same period in 2009. The capital movements principally derive from movements in the value of investments as yet unrealised.

The movement in Net Asset Value is as follows:

	Pence per share
31 March 2010	94.4
Dividends paid in period	(4.3)
Net increase in value	8.7
30 September 2010	98.8

The investment valuation growth highlighted above has resulted in the Net Asset Value per share increasing to 98.8 pence per share at 30 September 2010 (94.4 pence per share at 31 March 2010) after payment of the 4.25 pence per share dividends. The Total Return (Net Asset Value plus cumulative dividends paid) at 30 September 2010 now stands at

CHAIRMAN'S STATEMENT

153.0 pence per share compared to 144.4 pence per share at 31 March 2010, an increase of 8.6 pence (6%). By way of comparison, the FTSE All-Share® index has fallen by 1.5% since 31 March 2010.

In April 2010, 2,048,298 new shares were issued raising a gross total of £1,944,000 of new cash for the Company. Cash and investment in gilts totalled £11.68 million at 30 September 2010 (£15.47 million at September 2009), representing 36% (September 2009: 55%) of Net Asset Value before taking account of any interim dividend. The Board considers that this is sufficient to support the current portfolio and to continue its investment strategy in selective new opportunities in the short term. The Board is seeking to increase the Company's medium term investment capacity through a fundraising later this year, as set out below.

Shareholder Relations

Dividend Re-investment Scheme

Your Company continues to offer a dividend re-investment scheme. In September 17.6% of Shareholders, representing £0.14 million of dividends payable, took the opportunity to re-invest the final dividend. The dividend re-investment scheme will be continued.

Share Buy Backs

These are effected in the market through the Company's broker Singer Capital Markets. During the six month period to 30 September

2010, your Company acquired 260,000 shares at a cost of £0.20 million (2009: 141,882 shares at a cost of £0.10 million).

New Fundraising

Given the more attractive investment conditions expected over the coming years, the Company is seeking to increase its investment capacity through a linked offer. Together with British Smaller Companies VCT2 plc a prospectus will shortly be issued to raise up to £15 million for both VCTs, with those Shareholders investing before 1 March 2011 receiving additional shares equivalent to 1% of the amount subscribed.

Investor Workshop

The Company has presented annual investor workshops for a number of years which have proved very popular with Shareholders. The next workshop will be held on 9 February 2011 at The British Museum. An invitation will be sent to Shareholders in due course.

The Total Return stands at 153.0 pence per share, an increase of 6% since 31 March 2010.

CHAIRMAN'S STATEMENT

Board Changes

Robert Pettigrew and Richard Last have resigned as non-executive directors of the Company effective from 21 September 2010. As previously announced Edward Buchan has taken up his appointment as a non-executive director effective from 22 September 2010. Edward Buchan is also a director of Downing Absolute Income VCT 1 plc. The changes to the Board's composition were in response to the new Listing Rules with regard to the independence of directors. I would like to reiterate my thanks to Robert and Richard for their very significant contribution over many years and extend my welcome to Edward to his new appointment.

Other Matters

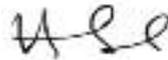
Your Board continues to monitor regulatory developments, in particular the proposal for a Directive on Alternative Investment Fund Managers. The draft Directive is in the final stages of its passage into European law. Your Company will consider the requirements of the new legislation during the period prior to its implementation, now expected to be in early 2013, and will continue to support the activities of the Association of Investment Companies (AIC) in its consideration and review of these proposals.

A prospectus will shortly be issued to raise up to £15 million through a linked offer with British Smaller Companies VCT2 plc.

Outlook

I am delighted to note the significant progress made across several sectors of the portfolio over the last six months with some particularly notable strong performances. There are now some signs of renewed demand for equity finance for growth and for management buy outs and your Company is well positioned to capitalise on these opportunities as they present themselves.

I would like to thank Shareholders for their continued support.



Helen Sinclair
23 November 2010

INVESTMENT PORTFOLIO

Current Investments

Name of Company	Date of Initial Investment	Industry Sector	Original Cost	Realised Proceeds to Date*	Investment Valuation at 30 September 2010	Realised and Unrealised to Date
			£000	£000	£000	£000
GO Outdoors Limited	May-98	Consumer Products	556	460	7,135	7,595
Waterfall Services Limited	Feb-07	Support Services	1,000	–	1,977	1,977
North Western Investments Ltd	Feb-10	Turnaround	1,000	–	1,000	1,000
4G Capital Limited	Mar-10	Software	1,000	–	1,000	1,000
Adex Bridge Investments Ltd	Mar-10	Turnaround	1,000	–	1,000	1,000
Fishawack Limited	Jan-08	Communications	775	–	947	947
RMS Group Holdings Limited	Jul-07	Industrial	1,050	537	360	897
Hargreaves Services plc	Dec-07	Industrial	469	–	636	636
Lightmain Company Limited	Mar-10	Manufacturing	600	–	600	600
Mattioli Woods plc	Nov-05	Support Services	326	–	547	547
Harvey Jones Holdings Limited	May-07	Manufacture	777	–	544	544
Deep-Secure Ltd	Dec-09	Software	1,000	–	500	500
Bluebell Telecom Group Limited	Sep-10	Communications	500	–	500	500
Pressure Technologies plc	Jun-07	Industrial	425	–	471	471
Primal Pictures Limited	Mar-01	Healthcare	500	93	371	464
K3 Business Technology Group plc	Apr-08	Software	402	–	411	411
EKF Diagnostics Holdings Plc	Jul-10	Healthcare	250	–	404	404
Tikit Group plc	Jun-01	Software	226	–	378	378
Straight plc	Feb-04	Industrial	341	138	234	372
Harris Hill Holdings Limited	Jun-07	Recruitment	600	–	337	337
Denison Mayes Group Limited	Aug-98	Industrial	700	285	15	300
Darwin Rhodes Group Limited	Apr-08	Recruitment	444	–	268	268
Patsystems plc	Oct-07	Software	222	–	218	218
Ellfin Home Care Limited	Dec-07	Healthcare	823	–	216	216
Freshroast Coffee Co. Limited	Jul-96	Consumer Products	160	166	30	196
Brulines plc	Oct-06	Software	163	–	159	159
Cambridge Cognition Limited	May-02	Software	325	–	63	63
Belgravium Technologies plc	Oct-05	Software	200	–	34	34
			15,834	1,679	20,355	22,034
Full realisations since March 2002			11,110	16,210	–	16,210
Full realisations prior to March 2002			6,394	3,246	–	3,246
Total realised and unrealised to date			33,338	21,135	20,355	41,490

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

RECONCILIATION OF INVESTMENT PORTFOLIO MOVEMENT SINCE 31 MARCH 2010

Name of Company	Investment Valuation at 31 March 2010 £000	Realisations £000	Additions gains (losses) £000	Valuation £000	Investment Valuation at 30 September 2010 £000
GO Outdoors Limited	4,835	–	–	2,300	7,135
Waterfall Services Limited	1,617	–	–	360	1,977
North Western Investments Ltd	1,000	–	–	–	1,000
4G Capital Limited	1,000	–	–	–	1,000
Adex Bridge Investments Ltd	1,000	–	–	–	1,000
Fishawack Limited	709	–	157	81	947
RMS Group Holdings Limited	383	(383)	–	360	360
Hargreaves Services plc	614	–	–	22	636
Lightmain Company Limited	600	–	–	–	600
Mattioli Woods plc	555	–	–	(8)	547
Other investments	4,943	(113)	804	(481)	5,153
	17,256	(496)	961	2,634	20,355

TOP 15 INVESTMENTS



GO Outdoors Limited

Sheffield
www.gooutdoors.co.uk

GO Outdoors is a retailer of outdoor clothing and equipment. The original investment of £500,000 in May 1998 supported the buyout with a second investment in March 2002 to support the company's first acquisition. The company has continued its expansion opening a further 9 stores since January 2010, taking the total number of outlets to 27 with further expansion planned.



Waterfall Services Limited

Warrington
www.caterplus.co.uk

Waterfall is a contract caterer specialising in the care home sector. Since the original investment the company has expanded its original catering services business from supplying residential and care homes to supplying the educational market. There has been both organic and acquisitive growth which has broadened and diversified the customer base with significant progress being made in expanding the services provided to both the education and home care sectors.

North Western Investments Ltd

North West

North Western Investments has significant contacts across the North West of England which makes it well-placed to acquire and improve under-performing businesses. It supports an experienced turnaround management team based in Merseyside.

4G Capital Limited

North West

4G Capital is an investment company led by an experienced serial entrepreneur in the software sector. With significant experience of running software businesses and developing teams and business strategies the business has identified the opportunity to fund more traditional software companies to transition to providing web-based services.

TOP 15 INVESTMENTS

Adex Bridge Investments Ltd

Midlands

Adex Bridge was formed to provide investment to SME businesses whose performance needs to be improved. With a successful turnaround record and an extensive network of trusted business contacts this business is particularly focused on the Midlands region. With links to banks and other lenders the business is well-placed to expand its activities in the turnaround sector.



Fishawack Limited

Knutsford
www.fishawack.com

Fishawack is an established, specialist healthcare communications agency focusing on the medical sector, with a strong reputation for providing specialist support for many of the world's top global pharmaceutical companies. In December 2009 Fishawack acquired its US partner to increase its international reach and customer service capacity. Fishawack continues to seek further sales growth, both organically and through acquisition.



RMS Group Holdings Limited

Goole
www.rms-europe.co.uk

RMS operates from six sites on the Humber estuary handling around 2 million tonnes of cargo a year. RMS has continued to broaden its range of customer service and expand its operations along the Humber estuary. Whilst dependent on the overall level of commodity movements the financing structure of the company has been defensively constructed giving it a competitive advantage over others in its sector. The team have used the tough economic conditions to consolidate their market position and have been able to repay half of the original loan instrument.



Hargreaves Services plc

Esh Winning, Durham
www.hargreavesservices.co.uk

In the years following its founding in 1994 Hargreaves established itself as the largest independent bulk haulage company in Britain. The group has a national network of depots and facilities, and specialises in supplying and processing carbon-based minerals. It has recently expanded into mainland Europe as well as operating a colliery and coke plant. 2010 is the fifth consecutive year that Earnings per Share have increased at a rate exceeding 20% per annum.

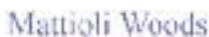
TOP 15 INVESTMENTS



Lightmain Company Limited

Rotherham
www.lightmain.co.uk

Lightmain is a manufacturer and installer of playground equipment and multi-user games areas across the UK. The business has a reputation for quality and an established customer base which provides visibility of forward orders.



Mattioli Woods plc

Leicester
www.mattioli-woods.com

Mattioli Woods provides pensions consultancy and administration services primarily to owner-managers, senior executives and professional persons. The Group's key activities include complex pensions consultancy, the provision of Self-Invested Personal Pensions ("SIPP") and Small Self-Administered Pension Schemes ("SSAS"). This market has continued to develop as the moves from defined benefit pension schemes have continued.



Harvey Jones Holdings Limited

London
www.harveyjones.com

Harvey Jones is a manufacturer/retailer of kitchen furniture. The business has a manufacturing facility in the UK and stores in London and wealthy provincial towns and cities principally in the South of England. Its strong brand positioning has helped Harvey Jones to retain volumes through the economic downturn. The business has continued to selectively open new stores increasing its footprint to 18 from 10 at the time of investment. This increased market share, coupled with a low level of gearing, positions Harvey Jones well to benefit as market conditions improve.



Deep-Secure Ltd

Malvern
www.deep-secure.com

Deep-Secure's market leading products protect against threats to security via high security network border gateway technology, which enables customers to maintain network separation and apply content inspection so as to defend sensitive and protected information from intruders. As working practices change and more information is shared electronically, increasing levels of exposure to leakage and attack demands more businesses rely on higher levels of security to protect their data. The main customers are in the government and defence sectors where tight security is essential.

TOP 15 INVESTMENTS



Bluebell Telecom Group Limited

Newcastle
www.bluebelltelecom.com

Bluebell is a telecommunications service provider that aggregates a range of services including fixed line, mobile, and data to UK businesses. The company's investments were made to assist with the next phase of Bluebell's growth. The business anticipates further acquisition activity.



Pressure Technologies plc

Sheffield
www.pressuretechnologies.co.uk

Pressure Technologies was admitted to the Alternative Investment Market (AIM) in June 2007. It specialises in the manufacture of ultra-large high pressure cylinders for the offshore oil and gas industry but is increasingly diversifying into other sectors, such as biogas and defence through acquisitions. The company has made two recent acquisitions after which it retains a strong balance sheet with no debt and cash of approximately £3 million.



Primal Pictures Limited

London
www.primalpictures.com

Primal Pictures has developed a complete range of high quality anatomical CD-ROMs aimed at healthcare professionals, ranging from medical students to orthopaedic surgeons. Images derived from X-ray, magnetic resonance and other scan data have enabled the production of a completely authentic anatomical model of the human body. The company has significantly expanded its business development activities to a range of healthcare and education markets, also developing recurring licence revenues from reseller partners.

STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 September 2010

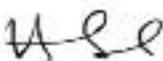
	Notes	Unaudited 6 months ending 30 September 2010			Unaudited 6 months ending 30 September 2009		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments		–	80	80	–	8	8
Gains on investments held at fair value		–	2,593	2,593	–	2,270	2,270
Income	2	693	–	693	603	–	603
Administrative expenses:							
Fund management fee		(73)	(217)	(290)	(66)	(198)	(264)
Other expenses		(173)	–	(173)	(187)	–	(187)
		(246)	(217)	(463)	(253)	(198)	(451)
Profit before taxation		447	2,456	2,903	350	2,080	2,430
Taxation	3	(46)	46	–	(52)	52	–
Profit for the period attributable to equity Shareholders		401	2,502	2,903	298	2,132	2,430
Total comprehensive income for the period attributable to equity Shareholders		401	2,502	2,903	298	2,132	2,430
Basic and diluted earnings per Ordinary share	5	1.23p	7.65p	8.88p	0.97p	6.93p	7.89p

BALANCE SHEET

As at 30 September 2010

	Notes	Unaudited 6 months ended 30 September 2010 £000	Unaudited 6 months ended 30 September 2009 £000	Audited Year ended 31 March 2010 £000
Assets				
Non-current assets				
Investments		20,355	12,143	17,256
Fixed income government securities		10,336	11,758	9,740
Financial assets at fair value through profit or loss		30,691	23,901	26,996
Current assets				
Trade and other receivables		345	400	2,055
Cash and cash equivalents		1,348	3,708	1,820
		1,693	4,108	3,875
Liabilities				
Current liabilities				
Trade and other payables		(92)	(94)	(1,863)
Net current assets		1,601	4,014	2,012
Net assets		32,292	27,915	29,008
Shareholders' equity				
Share capital		3,433	3,201	3,212
Share premium account		17,154	15,331	15,398
Capital redemption reserve		221	221	221
Treasury share reserve		(1,378)	(1,035)	(1,175)
Capital reserve		197	(127)	93
Investment holding gains (losses)		3,956	870	1,558
Special reserve		2,408	2,408	2,408
Retained earnings		6,301	7,046	7,293
Total Shareholders' equity		32,292	27,915	29,008
Basic and diluted Net Asset Value				
per Ordinary share	6	98.8p	90.6p	94.4p

Signed on behalf of the Board



Helen Sinclair
Chairman
23 November 2010

STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 September 2010 (unaudited)

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Treasury share reserve £000	Capital reserve £000	Investment holding gains (losses) £000	Special reserve £000	Retained earnings £000	Total equity £000
At 31 March									
2009	3,187	15,236	221	(931)	-	(1,389)	2,408	7,668	26,400
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	298	298
<i>Capital expenses</i>	-	-	-	-	(146)	-	-	-	(146)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	2,270	-	-	2,270
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	11	(11)	-	-	-
<i>Gain on disposal of investments in the period</i>	-	-	-	-	8	-	-	-	8
Total comprehensive income for the period	-	-	-	-	(127)	2,259	-	298	2,430
Dividends	-	-	-	-	-	-	-	(920)	(920)
Purchase of own shares	-	-	-	(104)	-	-	-	-	(104)
Issue of share capital on DRIS*	14	95	-	-	-	-	-	-	109
At 30 September									
2009	3,201	15,331	221	(1,035)	(127)	870	2,408	7,046	27,915
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	248	248
<i>Capital expenses</i>	-	-	-	-	(161)	-	-	-	(161)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	1,336	-	-	1,336
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	648	(648)	-	-	-
<i>Gain on disposal of investments in the period</i>	-	-	-	-	349	-	-	-	349
Total comprehensive income for the period	-	-	-	-	836	688	-	248	1,772
Dividends	-	-	-	-	(616)	-	-	(1)	(617)
Purchase of own shares	-	-	-	(140)	-	-	-	-	(140)
Issue of share capital on DRIS*	11	67	-	-	-	-	-	-	78
At 31 March									
2010	3,212	15,398	221	(1,175)	93	1,558	2,408	7,293	29,008

* DRIS being the dividend re-investment scheme

STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 September 2010 unaudited (continued)

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Treasury share reserve £000	Capital reserve £000	Investment holding gains (losses) £000	Special reserve £000	Retained earnings £000	Total equity £000
At 31 March									
2010	3,212	15,398	221	(1,175)	93	1,558	2,408	7,293	29,008
<i>Revenue return for the period</i>	–	–	–	–	(171)	–	–	401	401
<i>Capital expenses</i>	–	–	–	–	–	–	–	–	(171)
<i>Gain on investments held at fair value</i>	–	–	–	–	–	2,593	–	–	2,593
<i>Realisation of prior year investment holding gains</i>	–	–	–	–	195	(195)	–	–	–
<i>Gain on disposal of investments in the period</i>	–	–	–	–	80	–	–	–	80
Total comprehensive income for the period	–	–	–	–	104	2,398	–	401	2,903
Dividends	–	–	–	–	–	–	–	(1,393)	(1,393)
Purchase of own shares	–	–	–	(203)	–	–	–	–	(203)
Issue of Ordinary share capital	204	1,739	–	–	–	–	–	–	1,943
Issue of share capital on DRIS*	17	126	–	–	–	–	–	–	143
Issue of Ordinary share capital costs	–	(109)	–	–	–	–	–	–	(109)
At 30 September									
2010	3,433	17,154	221	(1,378)	197	3,956	2,408	6,301	32,292

* DRIS being the dividend re-investment scheme

STATEMENT OF CASH FLOWS

For the 6 months ended 30 September 2010

	Unaudited 6 months ended 30 September 2010	Unaudited 6 months ended 30 September 2009	Audited Year ended 31 March 2010
	£000	£000	£000
Net cash inflow from operating activities	221	454	654
Cash flows (used in) from investing activities			
Purchase of fixed asset investments	(2,500)	–	(6,389)
Proceeds from sale of fixed asset investments	1,478	537	5,517
Net cash (used in) from investing activities	(1,022)	537	(872)
Cash flows from (used in) financing activities			
Issue of Ordinary shares	1,944	–	–
Cost of Ordinary share issue	(161)	(65)	(76)
Purchase of own Ordinary shares	(203)	(104)	(244)
Dividends paid (net of dividend re-investment scheme)	(1,251)	(811)	(1,339)
Net cash from (used in) financing activities	329	(980)	(1,659)
Net (decrease) increase in cash and cash equivalents	(472)	11	(1,877)
Cash and cash equivalents at the beginning of the period	1,820	3,697	3,697
Cash and cash equivalents at the end of the period	1,348	3,708	1,820

RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

For the 6 months ended 30 September 2010

	Unaudited 6 months ended 30 September 2010	Unaudited 6 months ended 30 September 2009	Audited Year ended 31 March 2010
	£000	£000	£000
Profit before tax	2,903	2,430	4,202
Decrease (increase) in prepayments and accrued income	1,710	272	(1,382)
(Decrease) increase in accruals and other creditors	(1,719)	30	1,797
Profit on realisation of investments in the year	(80)	(8)	(357)
Revaluation of investments in the period	(2,593)	(2,270)	(3,606)
Net cash inflow from operating activities	221	454	654

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

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

The half year statements are unaudited and have not been reviewed by the auditors pursuant to the Auditing Practices Board (APB) guidance on Review of Interim Financial Information. They do not constitute full financial statements as defined in section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2010 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2010. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The half year statements comply with IAS 34 'Interim financial reporting' and the Disclosure and Transparency Rules of the Financial Services Authority. The accounting policies and methods of computation followed in the half year statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 March 2010, except as noted below.

The financial statements for the year ended 31 March 2010 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Where guidance set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009 ("SORP") is consistent with the requirements of IFRS, the financial statements have been prepared in compliance with the recommendations of the SORP.

The following new standards and amendments to standards are mandatory for the first time for the financial year commencing 1 April 2010. Where relevant to the Company the half year statements have been prepared under the revised disclosure requirements.

IAS 1 (amendment). The amendment is part of the IASB's annual improvements project and clarifies the definition of current liabilities. This has had, and is expected to have, no material impact on the Company's financial statements.

Other standards and interpretations which have been issued and are effective for this accounting period but are not currently relevant for the Company are IFRS 1 (Revised), IFRS 2 (Amendment), IFRS 3 (Revised), IFRS 5 (amendment), IAS 27 (Revised), IAS 32 (Amendment) and IFRICs 17 and 18.

There has been no change to the principal risks and uncertainties facing the Company since the publication of the financial statements for the year ended 31 March 2010. In summary, the principal risks are:

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

Full details of the principal risks can be found in the financial statements for the year ended 31 March 2010 on page 23, a copy of which can be found at www.yfm.co.uk.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

2. Income

	Unaudited 6 months ended 30 September 2010 £000	Unaudited 6 months ended 30 September 2009 £000
Income from investments:		
Dividends from unquoted companies	202	66
Dividends from AIM quoted companies	27	32
	229	98
Interest on loans to unquoted companies	162	156
Fixed interest Government securities	253	323
	644	577
Income from investments held at fair value through profit or loss	644	577
Interest on deposits	49	26
	693	603

3. Taxation

	Unaudited 6 months ended 30 September 2010			Unaudited 6 months ended 30 September 2009		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit on ordinary activities before taxation	447	2,456	2,903	350	2,080	2,430
Profit on ordinary activities multiplied by standard small company rate of corporation tax in UK of 21% (2009: 21%)	94	516	610	73	437	510
Effect of:						
UK dividends received	(48)	–	(48)	(21)	–	(21)
Non taxable profits on investments	–	(561)	(561)	–	(478)	(478)
Excess management expenses	–	(1)	(1)	–	(11)	(11)
Tax charge credit	46	(46)	–	52	(52)	–

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

4. Dividends

Amounts recognised as distributions to equity holders in the period:

	Unaudited 6 months ended 30 September 2010		Unaudited 6 months ended 30 September 2009		Audited Year ended 31 March 2010	
	Revenue £000	Total £000	Revenue £000	Total £000	Capital £000	Total £000
Final paid – 3.0p per Ordinary share; paid 28 September 2010 (2009: 3.0p per Ordinary share)	983	983	920	920	–	–
Interim – 2.0p per Ordinary share; paid 7 January 2010 (2009: 2.0p per Ordinary share)	–	–	–	–	616	616
Special dividend 1.25p per Ordinary share paid on 28 September 2010 (2009: nil)	410	410	–	–	–	–
Dividends paid	1,393	1,393	920	920	616	616

An interim dividend of 2.0 pence per share in respect of the period to 30 September 2010, amounting to £653,740, is proposed. This has not been recognised in the period ended 30 September 2010 as the obligation did not exist at the balance sheet date.

A special dividend of 1.25 pence per share was paid on 28 September 2010 to Shareholders following the profit generated from the sale of Sheet Piling (UK) Limited.

5. Basic and diluted earnings per Ordinary share

The basic and diluted earnings per Ordinary share is based on the profit for the period attributable to equity Shareholders of £2,903,000 (30 September 2009: profit of £2,430,000) and on 32,734,626 shares (30 September 2009: 30,786,419), being the weighted average number of shares in issue during the period.

The basic and diluted revenue earnings per Ordinary share is based on the revenue profit for the period attributable to equity Shareholders of £401,000 (30 September 2009: profit of £298,000) and on 32,734,626 shares (30 September 2009: 30,786,419), being the weighted average number of shares in issue during the period.

The basic and diluted capital earnings per Ordinary share is based on the capital profit for the period attributable to equity Shareholders of £2,502,000 (30 September 2009: profit of £2,132,000) and on 32,734,626 shares (30 September 2009: 30,786,419), being the weighted average number of shares in issue during the period.

During the period the Company allotted 166,512 Ordinary shares in respect of its dividend reinvestment scheme.

The Company has also repurchased 260,000 of its own shares in the period and these shares are held in treasury. The total of 1,642,837 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2010 (30 September 2009: 1,192,837 treasury shares). The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per share are the same.

6. Net Asset Value per Ordinary share

The Net Asset Value per Ordinary share is calculated on attributable assets of £32,292,000 and 32,687,004 shares in issue at the period end (30 September 2009: assets of £27,915,000 and 30,816,423 shares, 31 March 2010: assets of £29,008,000 and 30,732,194 shares).

During the period the Company allotted 166,512 Ordinary shares in respect of its dividend re-investment scheme.

The Company has also repurchased 260,000 of its own shares in the period and these shares are held in treasury. The total of 1,642,837 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2010 (30 September 2009: 1,192,837 treasury shares). The Company has no securities that would have a dilutive effect and hence basic and diluted Net Asset Value per share are the same.

7. Total Return

Total Return per share is calculated on cumulative dividends paid of 54.2 pence per Ordinary share (30 September 2009: 48.0 pence per Ordinary share and 31 March 2010: 50.0 pence per Ordinary share) plus the Net Asset Value at those dates as calculated per note 6.

8. Directors

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

9. Other information

Copies of the interim report can be obtained from the Company's registered office: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ or from the Fund Manager's website: www.yfm.co.uk.

British Smaller Companies VCT plc

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