

Interim Report  
for the six months ended 30 September 2012



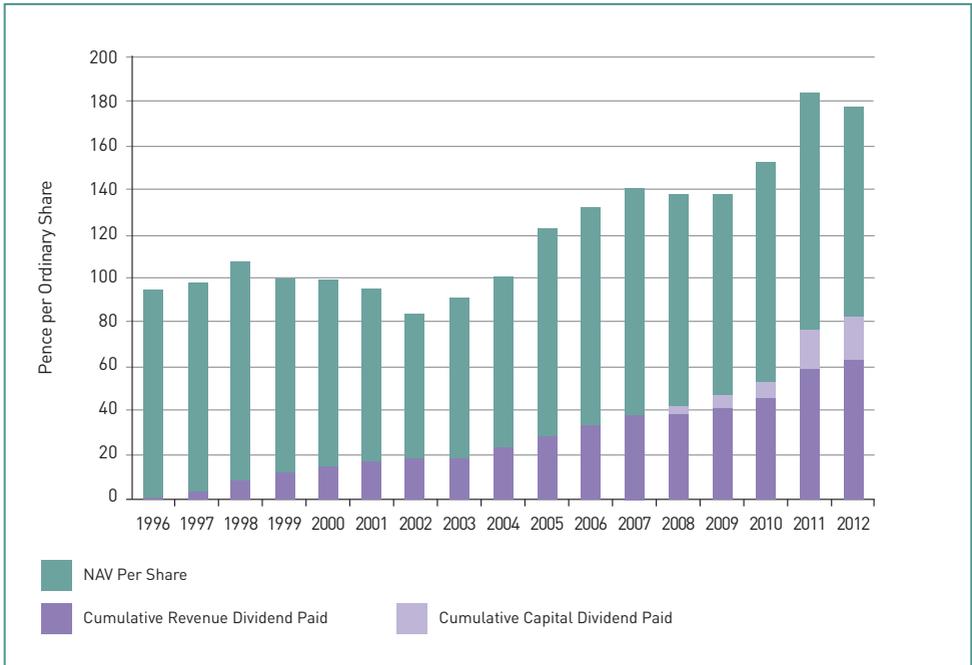
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## Financial Summary

### Total Shareholder Return and Dividend History

The chart below shows how the Total Shareholder Return of your Company, calculated by reference to the Net Asset Value per Ordinary share, has developed over the years since inception.



## Total Shareholder Return by Fundraising Round

Tax Year	Offer price Pence	Offer price net of tax Pence	Net Asset Value at 30 September 2012 Pence	Cumulative dividends paid since Fundraising <sup>1</sup> Pence	Total Return since Fundraising <sup>2</sup> Pence	Total Return since Funds invested with participation in the DRIS <sup>1&amp;2</sup> Pence	Internal Rate of Return per Annum <sup>4</sup> %
1995/96 & 1996/97	100.00	80.00	94.20	82.20	176.40	194.13	4.4%
1996/97 & 1997/98	100.00	80.00	94.20	81.14	175.34	193.06	4.6%
1997/98 & 1998/99	105.00	84.00	94.20	77.64	171.84	189.56	4.2%
2004/05 & 2005/06 (C share <sup>3</sup> )	99.50	59.70	105.95	53.64	159.59	172.01	7.2%
2005/06	100.00	60.00	94.20	51.75	145.95	159.66	7.1%
2006/07 & 2007/08	102.50	71.75	94.20	47.25	141.45	152.20	7.0%
2007/08 & 2008/09	106.25	74.38	94.20	42.25	136.45	144.44	6.5%
2009/10 & 2010/11	97.25	68.08	94.20	32.25	126.45	129.71	12.7%
2010/11 & 2011/12	128.00	89.60	94.20	26.00	120.20	120.20	-5.0% <sup>5</sup>
2011/12	99.75	69.83	94.20	3.00	97.20	97.20	-6.1% <sup>5</sup>

1 This assumes that at the time of investment the tax relief given on the investment was not also invested in shares of the Company

2 Assuming that all dividends were invested under the terms of the current DRIS

3 NAV has been adjusted for conversion of C shares into Ordinary shares in May 2007

4 The Annual IRR calculation has been performed using the Offer Price and based on the issue date of 5 April (in the earlier tax year if two years are given) in all cases

5 The Annual IRRs on these fundraisings result primarily from issue costs of 4.75% to 5.5%

## Financial Calendar

Results Announced 13 November 2012      Record Date 14 December 2012

Ex-dividend Date 12 December 2012      Dividend Paid 14 January 2013

# Chairman's Statement

**During the period the Company paid a final dividend of 3.0 pence per Ordinary share in respect of the year to 31 March 2012. It also completed a successful offer for subscription, raising proceeds of £2.5 million, and made new investments of £4.7 million.**

## Results

Following the strong performance of the past few years the Total Return at 30 September 2012, calculated by reference to the Net Asset Value per Ordinary share and the cumulative dividends paid, decreased by 2.4 pence to 176.4 pence per Ordinary share compared to 178.8 pence at 31 March 2012.

This decrease is primarily due to the net downward movement in portfolio valuations as a result of two factors:

- Firstly quoted markets have been impacted by the continuing difficulties in the UK economy which has resulted in the value of quoted holdings falling by 16% over the six months. This fall in quoted markets has had a knock-on impact on the valuation methodology applied to value the unquoted holdings.
- Secondly the largest investment in the unquoted portfolio, GO Outdoors Limited, has seen a fall in value of £1.77 million over the six months since 31 March 2012 due to a marked downturn in the retail sector, which has masked a gain of £1.19 million across the rest of the unquoted portfolio. At 30 September 2012 the investment in GO Outdoors Limited represented just 10.1% of total net assets so the historic portfolio exposure to this single investment has reduced. However the Fund Manager, YFM Private Equity Limited, believes that there remains significant potential for value growth.

A dividend of 3.0 pence per Ordinary share was paid on 17 August 2012 resulting in a Net Asset Value of 94.2 pence per Ordinary share at 30 September 2012, a fall of 5.4 pence since 31 March 2012. Cumulative dividends represent 82.2 pence per Ordinary share (31 March 2012: 79.2 pence per Ordinary share).

Other movements in Net Asset Value per Ordinary share are as follows:

Pence per Ordinary share	
31 March 2012	99.6
Disposal of investments	0.5
Net decrease in value	(2.8)
	<b>97.3</b>
Issue of shares	(0.1)
Dividends paid in period	(3.0)
Dividend reinvestment scheme/ purchase of own shares	-
30 September 2012	<b>94.2</b>

## Investments

A total of £5.04 million has been invested in the six months to 30 September 2012, with three new investments (totalling £4.69 million) and three follow-on investments (totalling £0.35 million). This compares to investments totalling £0.86 million in the same period of 2011.

The three new investments were:

- £2.52 million invested into Seven Technologies Holdings Limited in April 2012 to support the further growth plans of this Northern Ireland based engineering business specialising in developing and manufacturing bespoke electronics and communications applications in inhospitable environments.
- £1.00 million invested during April 2012 into Fairlight Bridge Limited, an acquisition vehicle led by an experienced manager Peter Bridge and focused on underperforming and turnaround situations in the Midlands area.
- £1.17 million invested during August 2012 to fund the buy-out of Insider Technologies (Holdings) Limited, an established provider of monitoring and scheduling software to the financial services and national security sectors, aiming to rollout new products in the UK and overseas.

The two main follow-on investments were:

- £0.24 million invested into Vianet Group plc during July 2012. The management team of this AiM-quoted remote monitoring solution supplier has successfully diversified activities and now sees good opportunities for medium term profit growth.
- £0.10 million invested into Hargreaves Services plc during August 2012. The share price of this AiM-quoted supplier and logistics provider to the solid fuel and energy sector was significantly impacted by an operational issue but is expected to recover over the next two years.

## Portfolio Review

Overall the portfolio saw a fall in value of £1.18 million (5%) over the six months to 30 September 2012. Roughly half (£0.60 million) of this fall resulted from a reduction in the quoted portfolio, which was in line with falls in quoted company indices over the same period. The biggest single fall was at Hargreaves Services plc (£0.34 million) which saw its share price drop by around 40% on news of operational issues at its Maltby colliery, which has subsequently been mothballed. The Company took the opportunity to increase its holding by £0.1 million in anticipation of a recovery.

The remaining £0.58 million of the value fall resulted from the unquoted portfolio which, as previously reported, was dominated by the reduction in value of GO Outdoors Limited of £1.77 million. GO Outdoors is a low-cost retailer of outdoor clothing and equipment which was impacted by a combination of reduced consumer spending across the retail sector and a wet summer. In spite of this GO Outdoors has now increased its number of retail outlets to 41 spread across the UK and rebalanced stock levels, which should make it well positioned for value recovery.

The value fall of GO Outdoors was substantially offset by the resilient performance of companies across the rest of the Company's unquoted portfolio which increased in value by £1.19 million over the period. A strong value growth of £0.84 million was achieved at recent investment Displayplan Holdings Limited,

designer and supplier of retail point-of-sale equipment which has won significant new contracts for delivery in 2012 and 2013. Niche engineering group President Engineering Group Limited also saw further value growth of £0.77 million over the period as a result of continued profit growth, primarily driven by export activity.

The investment portfolio held at the period end can be split into the following categories:

AiM Listed Investments	
Non Qualifying	£0.83 million
Qualifying	£2.64 million
	<b>£3.47 million</b>
Unquoted Investments	
Non Qualifying	£0.81 million
Qualifying	£23.38 million
	<b>£24.19 million</b>
Total Investments	
	<b>£27.66 million</b>

The Board continues to follow a policy of maintaining a diversified portfolio; as at 30 September 2012 only five of the thirty-one investments represent more than five per cent of the Net Asset Value with the largest investment comprising just over ten per cent of the Net Asset Value.

## Disposal of Investments

In August 2012 the Company completed the trade sale of Primal Pictures Limited, supplier of electronic medical imaging products, to Informa plc. This generated proceeds of £0.58 million, £0.17 million above the carrying value at 31 March 2012.

## Shareholder Relations

Many investors will recollect Sir Andrew Hugh Smith who so ably chaired this Company's Board of directors between 1996 and 2008. Sadly Sir Andrew passed away on 3 October 2012. Sir Andrew is fondly remembered by this Board and we are grateful for his immense contribution to the development of the Company over many years.

I am sure you will join the Board in passing condolences to his family and letting them know how much we valued the help, guidance and contribution he made.

### **Fundraising**

An attractive investment environment, resulting from the recent increased ability of venture capital trusts to invest in growing British businesses alongside restrictions on other forms of finance, means 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 £15.0 million across both VCTs. Early applications from existing Shareholders accepted on or before 28 December 2012 will receive additional shares equivalent to 2.5% of the amount subscribed.

### **Dividends**

In August 2012 a final dividend of 3.0 pence per Ordinary share in respect of the year to 31 March 2012 was paid to Shareholders.

Your Board intends to maintain, where possible, an underlying annual dividend of 5.0 pence per Ordinary share, increasing this when profitable realisations are achieved. The Board is therefore proposing to maintain the interim dividend at 2.0 pence per Ordinary share which will be paid on 14 January 2013 to Shareholders on the register at 14 December 2012.

### **Share Capital and Dividend Reinvestment Scheme**

On 5 April 2012 the Company issued 1,531,778 new Ordinary shares, being the final tranche relating to the offer for subscription launched on 6 March 2012. In total this offer raised net proceeds of £2.5 million.

A further 261,760 new Ordinary shares were issued during the period pursuant to the Company's dividend reinvestment scheme. To date £2.3 million has been reinvested under these arrangements.

### **Share Buy-Backs**

These are effected in the market through the Company's broker Nplus1 Singer Advisory LLP. During the six month period to 30 September 2012,

your Company bought back 354,107 Ordinary shares at a cost of £0.30 million (six months to 30 September 2011: 46,020 Ordinary shares at a cost of £0.04 million).

### **Outlook**

The last six months have seen a continuation of the difficult market conditions of recent years and it is likely that the UK economy will experience a sustained period of very low growth. In spite of this many of the portfolio companies have delivered improved results. We hope to see this trend continue as economic conditions gradually improve and the increased diversification of the portfolio should reduce the volatility of returns.

Whilst the year ahead will continue to present challenges we are optimistic about the Company's ability to take advantage of opportunities to invest in attractive companies. The hesitant approach from the banks and changes in EU restrictions on qualifying VCT investments should both lead to an increase in the volume and scale of investment opportunities in the future.

The Board remains of the opinion that the forthcoming period will see good investment opportunities, both for the portfolio businesses and for new investments. It is with this in mind that we are seeking to increase the funds available for future investment.

I would like to thank Shareholders for their continued support.



**Helen Sinclair**  
**13 November 2012**

# Investment Portfolio

Name of Company	Date of Initial Investment	Industry Sector	Original Cost £000	Realised Proceeds to Date* £000	Investment Valuation at 30 September 2012 £000	Realised and Unrealised to Date £000
<b>Current Investments</b>						
GO Outdoors Limited	May-98	Retail	556	6,995	3,739	10,734
President Engineering Group Limited	Sep-10	Manufacturing	1,000	-	3,454	3,454
Seven Technologies Holdings Limited	Apr-12	Manufacturing	2,524	-	2,524	2,524
Displayplan Holdings Limited	Feb-10	Retail	1,300	-	2,312	2,312
Deep-Secure Ltd	Dec-09	Software	1,000	-	2,110	2,110
Waterfall Services Limited	Feb-07	Support Services	1,000	233	1,527	1,760
Fishawack Limited	Jan-08	Communications	878	-	1,219	1,219
Insider Technologies (Holdings) Limited	Aug-12	Software	1,170	-	1,170	1,170
Fairlight Bridge Limited	Apr-12	Turnaround	1,000	-	1,000	1,000
Harvey Jones Holdings Limited	May-07	Manufacture/Retail	777	-	799	799
Harris Hill Holdings Limited	Jun-07	Recruitment	600	-	682	682
EKF Diagnostics Holdings Plc	Jul-10	Pharmaceuticals	366	105	602	707
Bagel Nash Group Limited	Jul-11	Food Retail	616	-	600	600
Selima Limited	Mar-12	Software	600	-	600	600
RMS Group Holdings Limited	Jul-07	Industrial	1,050	897	567	1,464
Bluebell Telecom Group Limited	Sep-10	Telecommunications	500	-	545	545
Hargreaves Services plc	Dec-07	Industrial	469	330	514	844
Mattioli Woods plc	Nov-05	Support Services	326	-	493	493
K3 Business Technology Group plc	Apr-08	Software	402	-	465	465
Pressure Technologies plc	Jun-07	Industrial	425	-	439	439
Tikit Group plc	Jun-01	Software	226	187	416	603
PowerOasis Limited	Nov-11	Energy Infrastructure	375	-	375	375
Vianet Group plc	Oct-06	Software	404	-	348	348
Lightmain Company Limited	Mar-10	Manufacturing	600	-	248	248
Dryden Human Capital Group Limited	Apr-08	Recruitment	488	-	245	245
Cambridge Cognition Limited	May-02	Software	325	-	245	245
TeraView Limited	Dec-11	Medical Instruments	375	-	150	150
Ellfin Home Care Limited	Dec-07	Healthcare	823	-	83	83
Straight plc	Feb-04	Industrial	341	139	65	204
Woodspeen Training Group Plc	Dec-10	Training Provider	250	-	62	62
Belgravium Technologies plc	Oct-05	Software	200	22	62	84
			<b>20,966</b>	<b>8,908</b>	<b>27,660</b>	<b>36,568</b>
Full realisations since March 2002			15,442	20,224	-	20,224
Full realisations prior to March 2002			6,394	3,246	-	3,246
<b>Total realised and unrealised to date</b>			<b>42,802</b>	<b>32,378</b>	<b>27,660</b>	<b>60,038</b>

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

# Reconciliation of Investment Portfolio Movement since 31 March 2012

Name of Company	Investment Valuation at 31 March 2012 £000	Realisations £000	Additions £000	Valuations gains (losses) £000	Investment Valuation at 30 September 2012 £000
<b>Current Investments</b>					
GO Outdoors Limited	5,504	-	-	(1,765)	3,739
President Engineering Group Ltd	2,687	-	-	767	3,454
Seven Technologies Holdings Limited	-	-	2,524	-	2,524
Displayplan Holdings Limited	1,300	-	-	1,012	2,312
Deep-Secure Ltd	2,298	-	-	(188)	2,110
Waterfall Services Limited	1,503	-	-	24	1,527
Fishawack Limited	896	-	-	323	1,219
Insider Technologies (Holdings) Limited	-	-	1,170	-	1,170
Fairlight Bridge Limited	-	-	1,000	-	1,000
Harvey Jones Holdings Limited	783	-	-	16	799
Harris Hill Holdings Limited	653	-	-	29	682
EKF Diagnostics Holdings Plc	536	-	-	66	602
Bagel Nash Group Limited	611	-	8	(19)	600
Selima Limited	600	-	-	-	600
RMS Group Holdings Limited	405	-	-	162	567
Bluebell Telecom Group Limited	608	-	-	(63)	545
Other investments	5,816	(406)	342	(1,542)	4,210
<b>Total Movement</b>	<b>24,200</b>	<b>(406)</b>	<b>5,044</b>	<b>(1,178)</b>	<b>27,660</b>

# Top 15 Investments

## GO Outdoors Limited

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

**GO Outdoors** is a retailer of outdoor clothing and equipment. The original investment of £500,000 in May 1998 supported the buy-out with a second investment in March 2002 to support the company's first acquisition. The company has continued its expansion, opening a further ten stores in the year to January 2012, taking the total

number of outlets to forty-one. The £28 million investment from 3i plc in April 2011 was in part to fund a continuation of the rollout of this successful retail concept while at the same time purchasing approximately one-third of the Company's investment.

## President Engineering Group Ltd

Sheffield  
[www.conflo.com/www.bestobellvalves.com](http://www.conflo.com/www.bestobellvalves.com)

**President Engineering** is a niche manufacturer of branded engineering products sold through agents to a diverse international customer base. The company produces mining safety systems sold into developed and developing economies under the Conflow brand and also cryogenic valves sold to the oil and gas sector under the

Bestobell brand. BSC backed a management buy-out by the existing management team. Since that time the company has been extremely successful in continuing the international development of its brands, supported by strong underlying market growth.

## Seven Technologies Holdings Limited

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

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

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

## Displayplan Holdings Limited

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

In January 2012 a further investment of £0.3 million was made into North Western Investments Limited to support the management buy-out of **Displayplan Holdings**, a complete retail display consultancy service (from concept through

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

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## Deep-Secure Ltd

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

**Deep-Secure's** market leading products protect against threats to IT security using 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 leads to more businesses relying on higher levels of security to protect their data, with major customers being international governments, cross border forces and defence sectors. Profit levels have grown strongly since the Company's investment in 2009.

## Waterfall Services Limited

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

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

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

## Fishawack Limited

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

**Fishawack** is an established, specialist healthcare communications agency focusing on the medical sector, with a strong reputation for providing specialist communications consultancy services for many of the world's top global pharmaceutical companies. Three acquisitions have been made, of its US partner, a UK medical communications

business and a Swiss based medical communications business. This has significantly increased the international reach and service capacity as well as broadening its customer base. Fishawack continues to target further sales growth, both organically and through acquisition.

## Insider Technologies (Holdings) Limited

Salford  
[www.insidertech.co.uk](http://www.insidertech.co.uk)

**Insider Technologies** is an established provider of monitoring and scheduling software to the financial services and national security sectors. The Company backed the buy-out of the business introducing new senior management to

complement the existing team, who also invested in the deal. The strategy is to increase the sales focus and roll out existing and new complementary products in the UK and overseas.

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## Fairlight Bridge Limited

Midlands

**Fairlight Bridge** was formed to provide investment in SME businesses whose performance is in need of improvement. It is particularly focused on the Midlands and South West regions. With links to banks and other lenders it is well placed to expand its activities in turnaround management.

Managing director Peter Bridge has previously run several engineering groups and has a successful track record of leading performance improvements within a range of private equity backed businesses.

## Harvey Jones Holdings Limited

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

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

economic downturn. The business has continued to selectively open new stores increasing its footprint to twenty-five from ten 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.

## Harris Hill Holdings Limited

Kingston-Upon-Thames  
[www.harrishill.co.uk](http://www.harrishill.co.uk)

**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. Whilst

market conditions have been difficult over recent years at an EBITA level the business has remained profitable and has seen a recovery in sales and profits since 2009.

## EKF Diagnostics Holdings plc

London  
[www.ekf-diagnostics.com](http://www.ekf-diagnostics.com)

**EKF** is a provider of a wide range of diagnostic needs in clinical care, blood donor services and dialysis centres, recreation institutes, sports medicine and industrial applications. Its name consists of the first three letters of the German

words for its main business divisions; Entwicklung (development), Konstruktion (construction) and Fertigung (production). EKF is well funded and has made some good acquisitions and commercial progress.

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## Bagel Nash Group Limited

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

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

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

## Selima Limited

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

Headquartered in Sheffield, **Selima** has considerable experience of deploying comprehensive payroll, HR and expenses solutions and bureau services that save organisations significant sums of money. Selima's

customers include Bristol City Council, Young's Brewery and Greater Manchester Police. The investment will help the business to expand by improving services for new and existing clients and introducing new, innovative products.

## RMS Group Holdings Limited

Goole  
[www.rms-humber.co.uk](http://www.rms-humber.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 now repaid the original loan instrument in full.

# Statement of Comprehensive Income

For the 6 months ended 30 September 2012

	Notes	Unaudited 6 months ending 30 September 2012			Unaudited 6 months ending 30 September 2011		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on disposal of investments		-	190	190	-	2,174	2,174
(Losses) gains on investments held at fair value		-	(1,191)	(1,191)	-	360	360
Income	2	600	-	600	857	-	857
Administrative expenses:							
Fund management fee		(95)	(284)	(379)	(103)	(308)	(411)
Other expenses		(148)	-	(148)	(162)	-	(162)
		(243)	(284)	(527)	(265)	(308)	(573)
<b>Profit (loss) before taxation</b>		<b>357</b>	<b>(1,285)</b>	<b>(928)</b>	592	2,226	2,818
Taxation	3	(63)	63	-	46	(46)	-
<b>Profit (loss) for the period</b>		<b>294</b>	<b>(1,222)</b>	<b>(928)</b>	638	2,180	2,818
<b>Total comprehensive income (loss) for the period</b>		<b>294</b>	<b>(1,222)</b>	<b>(928)</b>	638	2,180	2,818
<b>Basic and diluted earnings (loss) per Ordinary share</b>	5	<b>0.75p</b>	<b>(3.11)p</b>	<b>(2.36)p</b>	1.78p	6.07p	7.85p

# Balance Sheet

As at 30 September 2012

	Unaudited 6 months ended 30 September 2012 £000	Unaudited 6 months ended 30 September 2011 £000	Audited year ended 31 March 2012 £000
Notes			
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	27,660	26,299	24,200
Fixed income government securities	2,495	2,492	2,499
Financial assets at fair value through profit or loss	30,155	28,791	26,699
<b>Current assets</b>			
Trade and other receivables	469	442	532
Cash on fixed term deposit	5,125	–	5,000
Cash and cash equivalents	1,509	10,593	7,372
	7,103	11,035	12,904
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(82)	(463)	(1,709)
<b>Net current assets</b>	<b>7,021</b>	<b>10,572</b>	<b>11,195</b>
<b>Net assets</b>	<b>37,176</b>	<b>39,363</b>	<b>37,894</b>
<b>Shareholders' equity</b>			
Share capital	4,219	3,916	4,039
Share premium account	24,683	22,139	23,176
Capital redemption reserve	221	221	221
Treasury share reserve	(2,349)	(1,909)	(2,048)
Capital reserve	(58)	–	–
Investment holdings gains (losses) reserve	6,268	7,679	7,432
Special reserve	2,408	2,408	2,408
Retained earnings	1,784	4,909	2,666
<b>Total Shareholders' equity</b>	<b>37,176</b>	<b>39,363</b>	<b>37,894</b>
<b>Basic and diluted Net Asset Value per Ordinary share</b>	<b>6 94.2p</b>	<b>106.5p</b>	<b>99.6p</b>

Signed on behalf of the Board



**Helen Sinclair**  
Chairman

13 November 2012

# Statement of Changes in Equity

For the 6 months ended 30 September 2012

	Unaudited 6 months ended 30 September 2012 £000	Unaudited 6 months ended 30 September 2011 £000	Audited year ended 31 March 2012 £000
<b>Opening Shareholders' equity</b>	<b>37,894</b>	41,172	41,172
<i>Revenue return for the period</i>	<b>294</b>	639	675
<i>Capital expenses</i>	<b>(221)</b>	(355)	(1,955)
<i>(Loss)/gain on investments held at fair value</i>	<b>(1,191)</b>	360	166
<i>Gain on disposal of investments in the period</i>	<b>190</b>	2,174	2,178
Total comprehensive (loss) income for the period	<b>(928)</b>	2,818	1,064
<i>Issue of Ordinary share capital</i>	<b>1,528</b>	1,722	2,897
<i>Issue of Ordinary share capital costs</i>	<b>(81)</b>	(7)	(173)
<i>Issue of share capital on DRIS*</i>	<b>240</b>	1,202	1,353
<i>Purchase of own Ordinary shares</i>	<b>(301)</b>	(43)	(182)
<i>Dividends</i>	<b>(1,176)</b>	(7,501)	(8,237)
Total transactions with Shareholders	<b>210</b>	(4,627)	(4,342)
Realisation of prior year investment holding gains	<b>-</b>	-	-
<b>Closing Shareholders' equity</b>	<b>37,176</b>	39,363	37,894

\* DRIS being the Dividend Reinvestment Scheme

# Statement of Cash Flows

For the 6 months ended 30 September 2012

	Unaudited 6 months ended 30 September 2012 £000	Unaudited 6 months ended 30 September 2011 £000	Audited year ended 31 March 2012 £000
<b>Net cash (outflow) inflow from operating activities</b>	<b>(1,559)</b>	186	(111)
<b>Cash flows (used in) from investing activities</b>			
Cash placed on fixed term deposit	<b>(5,125)</b>	-	(5,000)
Cash from maturing fixed term deposit	<b>5,000</b>	-	-
Purchase of fixed asset investments	<b>(5,938)</b>	(1,350)	(3,000)
Proceeds from sale of fixed asset investments	<b>1,576</b>	13,577	17,024
<b>Net cash (used in) from investing activities</b>	<b>(4,487)</b>	12,227	9,024
<b>Cash flows from (used in) financing activities</b>			
Issue of Ordinary shares	<b>1,523</b>	1,819	2,897
Cost of Ordinary share issue	<b>(103)</b>	(104)	(178)
Purchase of own Ordinary shares	<b>(301)</b>	(350)	(490)
Dividends paid (Net of Dividend Reinvestment Scheme)	<b>(936)</b>	(6,299)	(6,884)
<b>Net cash from (used in) financing activities</b>	<b>183</b>	(4,934)	(4,655)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(5,863)</b>	7,479	4,258
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7,372</b>	3,114	3,114
<b>Cash and cash equivalents at the end of the period</b>	<b>1,509</b>	10,593	7,372

# Reconciliation of Loss before Taxation to Net Cash Outflow from Operating Activities

For the 6 months ended 30 September 2012

	Unaudited 6 months ended 30 September 2012 £000	Unaudited 6 months ended 30 September 2011 £000	Audited year ended 31 March 2012 £000
(Loss) profit before tax	<b>(928)</b>	2,818	1,064
Increase in trade and other receivables	<b>(23)</b>	(83)	(59)
(Decrease) increase in trade and other payables	<b>(1,601)</b>	(15)	1,239
Profit on disposal of investments in the year	<b>(190)</b>	(2,174)	(2,178)
Loss (profit) on investments held at fair value	<b>1,191</b>	(360)	(166)
Capitalised interest	<b>(8)</b>	-	(11)
Net cash (outflow) inflow from operating activities	<b>(1,559)</b>	186	(111)

# Notes to the Interim Report

## 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 their knowledge:

- The Interim Management Report includes a fair review of the information required by rules 4.2.7 and 4.2.8 of the Disclosure Rules and the Transparency Rules of the Financial Services Authority.
- The half year statements comply with IAS 34 'Interim financial reporting' and the Disclosure and Transparency Rules of the Financial Services Authority.

The half year statements are unaudited and have not been reviewed by the auditors pursuant to the Auditing Practices Board (APB) guidance on Review of Interim Financial Information. They do not constitute full financial statements as defined in section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2012 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2012. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The accounting policies and methods of computation followed in the half year statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 March 2012, except as noted below.

The financial statements for the year ended 31 March 2012 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.

Standards and interpretations which have been issued or revised, for which their issue or revision will be effective for this accounting period, but are not expected to have an impact for the Company are IFRS 1, IFRS 7, IAS 1 and IAS 12.

## 2. Income

	Unaudited 6 months ended 30 September 2012 £000	Unaudited 6 months ended 30 September 2011 £000
Income from investments		
– Dividends from unquoted companies	10	328
– Dividends from AIM quoted companies	30	29
	40	357
– Interest on loans to unquoted companies	452	312
– Fixed interest Government securities	29	127
Income from investments held at fair value through profit or loss	521	796
Interest on deposits	79	61
	600	857

### 3. Taxation

	Unaudited 6 months ended 30 September 2012			Unaudited 6 months ended 30 September 2011		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit (loss) on ordinary activities before taxation	<b>357</b>	<b>(1,285)</b>	<b>(928)</b>	592	2,226	2,81
Profit (loss) on ordinary activities multiplied by standard small company rate of corporation tax in UK of 20% (2011: 20%)	<b>71</b>	<b>(257)</b>	<b>(186)</b>	118	445	563
<b>Effect of:</b>						
UK dividends received	<b>(8)</b>	-	<b>(8)</b>	(72)	-	(72)
Non taxable losses (profits) on investments	-	<b>200</b>	<b>200</b>	-	(506)	(506)
Excess management expenses	-	<b>(6)</b>	<b>(6)</b>	-	15)	15
Tax charge (credit)	<b>63</b>	<b>(63)</b>	-	46	(46)	-

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.

### 4 Dividends

Amounts recognised as distributions to equity holders in the period:

	Unaudited 6 months ended 30 September 2012		Unaudited 6 months ended 30 September 2011			Audited year ended 31 March 2012		
	Revenue £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final paid – 3.0p per Ordinary share; paid on 17 August 2012 (2011: 3.0p per Ordinary share)	<b>1,176</b>	<b>1,176</b>	873	-	873	1,072	-	1,072
Interim – 2.0p per Ordinary share; paid on 20 January 2012 (2011: 2.0p per Ordinary share)	-	-	-	-	-	736	-	736
Special dividend – 18.0p per Ordinary share paid on 22 August 2011	-	-	720	5,908	6,628	2,064	4,365	6,429
Dividends paid	<b>1,176</b>	<b>1,176</b>	1,593	5,908	7,501	3,872	4,365	8,237

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#### 4 Dividends (continued)

An interim dividend of 2.0 pence per Ordinary share in respect of the period to 30 September 2012, amounting to £789,000, is proposed. This has not been recognised in the period ended 30 September 2012 as the obligation did not exist at the balance sheet date.

The difference between the dividend totals shown in the table above and the Statement of Cash Flows relates to the portion of the dividend satisfied by the issue of Ordinary shares under the Company's Dividend Reinvestment Scheme.

#### 5. Basic and diluted loss per Ordinary share

The basic and diluted loss per Ordinary share is based on the loss for the period attributable to equity Shareholders of £928,000 (30 September 2011: profit of £2,818,000) and on 39,381,914 shares (30 September 2011: 35,900,838), 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 £294,000 (30 September 2011: profit of £638,000) and on 39,381,914 shares (30 September 2011: 35,900,838), being the weighted average number of shares in issue during the period.

The basic and diluted capital loss per Ordinary share is based on the capital loss for the period attributable to equity Shareholders of £1,222,000 (30 September 2011: profit of £2,180,000) and on 39,381,914 shares (30 September 2011: 35,900,838), being the weighted average number of shares in issue during the period.

#### 6. Net Asset Value per Ordinary share and Changes in Ordinary share capital

The Net Asset Value per Ordinary share is calculated on attributable assets of £37,176,000 and 39,473,151 shares in issue at 30 September 2012 (30 September 2011: assets of £39,363,000 and 36,953,730 shares, 31 March 2012: assets of £37,894,000 and 38,033,720 shares).

During the period the Company allotted 1,531,778 new Ordinary shares pursuant to the offer for subscription launched on 6 March 2012 at a price of 99.75p per share (30 September 2011: 1,421,329 new Ordinary shares pursuant to the linked offer for subscription with British Smaller Companies VCT2 plc launched on 8 December 2010).

During the period the Company allotted 261,760 new Ordinary shares in respect of its Dividend Reinvestment Scheme at a price of 91.77p per share (30 September 2011: 1,277,941 new Ordinary shares at a price of 94.05p per share).

The Company has also repurchased 354,107 (30 September 2011: 46,020) of its own shares in the period and these shares are held in treasury. The total of 2,714,592 treasury shares has been excluded in calculating the number of Ordinary shares in issue at 30 September 2012 (30 September 2011: 2,207,305 treasury shares). The Company has no securities that would have a dilutive effect and hence basic and diluted Net Asset Value per Ordinary share are the same.

#### 7. Total Return

Total Return per Ordinary share is calculated on cumulative dividends paid of 82.2 pence per Ordinary share (30 September 2011: 77.2 pence per Ordinary share and 31 March 2012: 79.2 pence per Ordinary share) plus the Net Asset Value at those dates as calculated per note 6.

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## 8. Directors

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

## 9. Principal Risks and Uncertainties

There has been no change to the principal risks and uncertainties facing the Company since the publication of the statutory accounts for the year ended 31 March 2012. In summary, the principal risks are:

- Economic;
- 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 statutory accounts of the Company for the year ended 31 March 2012, on page 26, a copy of which can be found at **[www.yfmep.com](http://www.yfmep.com)**.

## 10. Other information

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

# Advisers to the Company

## Fund Manager and Custodian

### **YFM Private Equity Limited**

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LS7 4HZ

## Registrars

### **Capita Registrars Limited**

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## Solicitors

### **hlw Keeble Hawson LLP**

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## Stockbrokers

### **Nplus1 Singer Advisory LLP**

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## Fixed Interest Securities Adviser

### **Brewin Dolphin Securities Limited**

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LS1 4LX

## Independent Auditor

### **Grant Thornton UK LLP**

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South Yorkshire  
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## VCT Status Adviser

### **PricewaterhouseCoopers LLP**

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## Bankers

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

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Leeds  
LS1 5QB

### **Lloyds Bank Corporate Markets**

40 Spring Gardens  
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M2 1EN

## Company Secretary

### **KHM Secretarial Services Limited**

Old Cathedral Vicarage  
St James Row  
Sheffield  
S1 1XA



**Andrew Hugh Smith**

6 September 1931 to 3 October 2012

The Man is a Success  
who has lived well,  
laughed often and loved much;  
Who has gained the respect of intelligent men  
and the love of children;  
Who filled his niche  
and accomplished his task;  
Who leaves the world better than he found it,  
who never lacked appreciation of earth's beauty  
or failed to express it.  
Who looked for the best in others  
And gave the best he had;  
His memory is a benediction.

*Robert Louis Stevenson (1850-1894)*

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# British Smaller Companies VCT plc



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