British Smaller Companies VCT plc

Interim Results and Interim Management Report

For the 6 months ended 30 September 2013

British Smaller Companies VCT plc ("the Company") today announces its interim results for the six months to 30 September 2013.

Chairman's Statement

I am pleased to report a strong performance for your Company. The six months to 30 September 2013 has seen an increase in Net Asset Value per ordinary share of 6.9 per cent (6.7 pence) prior to the payment of the 3.5 pence per ordinary share final dividend and 1.0 pence per ordinary share special dividend in August 2013. This growth has been underpinned primarily by a 13.3 per cent increase in portfolio valuations, with strong improvements across both unquoted and quoted investments.

In April 2013, the Company completed a successful joint fundraising with British Smaller Companies VCT2 plc, raising net proceeds of £5.9 million in the six months to June 2013, in total raising £9.8 million since its launch in November 2012. Following a significant increase in investment activity rates, the Board plans to launch a further £20 million joint offer over the coming months.

Financial Results

In the six months to 30 September 2013 the Total Return, calculated by reference to the Net Asset Value per ordinary share and the cumulative dividends paid, increased by 6.7 pence to 187.9 pence per ordinary share.

In the six months to 30 September 2013, after payment of the final dividend of 3.5 pence per ordinary share and the special dividend of 1.0 pence per ordinary share, the increase in Net Asset Value per ordinary share was 2.2 pence, as shown in the table below.

	Pence per ordinary share
31 March 2013	97.0
Net increase in portfolio	7.3
Issue of Shares – net of costs	(0.7)
Buy-back of shares	0.1
Dividends paid	(4.5)
30 September 2013	99.2

Of the final and special dividends paid in August 2013, 18.7 per cent was re-invested under the Company's dividend re-investment scheme.

Investment Portfolio

The Company currently has an active portfolio of 30 investments, 20 of which are unquoted and the remainder are quoted on AIM, with one trading on ISDX. At 30 September 2013 the investment portfolio had a value of £34.0 million with the unquoted portfolio accounting for £30.1 million (88.5 per cent) and the quoted portfolio accounting for £3.9 million (11.5 per cent).

Over the six month period the net gain on the investment portfolio was £3.66 million, an increase of 13.3 per cent on the opening March 2013 portfolio value of £27.6 million. This is comprised of an increase of £2.78 million from the unquoted investments and a gain of £0.88 million from quoted securities.

Good progress has been made generally across the portfolio in spite of the low growth economic environment. The most significant movements were:

- DisplayPlan Holdings (up £0.89 million) saw a significant reduction in bank debt following strong cash generation;
- Waterfall Services (up £0.61 million) delivered further growth in profits and several new contract wins;
- President Engineering (up £0.57 million) saw significant new orders relating to LNG (Liquid Natural Gas) transportation;
- Seven Technologies (up £0.45 million) completed the strategic acquisition of Datong plc;
- Pressure Technologies (up £0.33 million) reported increased customer acquisition and a return to historic profit levels; and
- GO Outdoors (up £0.39 million) appointed a high calibre new CEO to continue its store rollout strategy.

New Investments

A total of £4.4 million has been invested in the six months to 30 September 2013, with two new investments (totalling £2.7 million) and four follow-on investments (totalling £1.7 million).

The two new investments were:

- In May 2013 the Company invested £0.22 million as part of a £5.0 million AIM placing to support the expansion of AB Dynamics plc, a designer, manufacturer and supplier of advanced testing and measurement products to the global automotive industry. The share price has increased to 188.5 pence per share at the date of this report; and
- In September 2013 the Company invested £2.5 million into the management buy-out of Douglas Gill Marine International Limited, a manufacturer and supplier of branded sailing clothing and accessories.

The two main follow-on investments were:

- In June 2013 a significant follow-on investment of £0.98 million was made into Seven Technologies Holdings Limited, a manufacturer of specialist electronic and communication equipment, as part of the funding package for its £7.0 million acquisition of Datong plc, a manufacturer and international supplier of specialist communications products.
- In July 2013 a further £0.58 million was invested into Bagel Nash Group Limited, to support the expansion of its bakery.

Disposal of Investments

During the six months to 30 September 2013 the Company generated proceeds from disposals, loan repayments and deferred consideration of £1.63 million, which resulted in a gain on disposal of investments of £0.13 million.

The most significant contributor to these proceeds was the repayment of £1.30 million of loans as part of a refinancing package to Seven Technologies Holdings Limited ahead of its purchase of Datong plc. As described earlier £0.98 million of new equity funding was also provided as part of this transaction.

The Company realised £0.30 million from the sale of some AIM investments giving a profit of £0.12 million compared to the carrying value at 31 March 2013 and representing the majority of the overall gain on disposal. Additionally, in the six months to 30 September 2013 the Company sold £0.46 million worth of Government Gilts which resulted in a small profit on cost. The proceeds from these disposals were re-invested back into UK Gilts and are currently held marginally above cost.

Subsequent Events

On 10 October 2013 the Company invested £1.75 million into GTK Holdings Limited, a global provider and manufacturer of electronic solutions.

On 27 October 2013 the Company disposed of 26 per cent of its holding in Hargreaves Services plc for proceeds of £0.18 million (representing 1.6x cost).

Shareholder Relations

Dividends

In August 2013 a final dividend of 3.5 pence per ordinary share in respect of the year to 31 March 2013 was paid to Shareholders as well as a 1.0 pence per ordinary share special dividend following the realisations of Fishawack Limited and Tikit Group plc last financial year.

Your Board intends to maintain an underlying annual dividend of 5.5 pence per ordinary share, increasing this when possible. The Board intends to propose an interim dividend in early 2014 once the matters relating to the Prior Period Adjustment (as set out in Note 1) have been fully resolved.

Fundraising

Over recent months the Board and Fund Manager have seen a sharp increase in investment activity levels. In addition to the £6.15 million invested since 31 March 2013 a further £7.9 million has been committed to deals which have been formally approved. This increase in investment activity and levels is in part due to a gradually improving economic environment and in part a result of changes in EU restrictions affording Venture Capital Trusts the opportunity to invest up to £5 million into qualifying investments. To take advantage of these opportunities the Board has therefore decided to seek an increase to its investment capacity through a joint offer with British Smaller Companies VCT2 plc. A prospectus will be issued in early 2014 to raise up to £20 million across both VCTs.

Dividend Re-investment Scheme (DRIS)

The Company operates a DRIS which gives Shareholders the opportunity to re-invest cash dividends. The DRIS is open to all Shareholders. To date £2.7 million has been re-invested under these arrangements.

Regulation

The results of the recent consultation in respect of Enhanced Share Buy-Backs are expected to be included in the Autumn Statement which is expected to be published on 5 December 2013.

Share Buy-Backs

These are effected in the market through the Company's broker, Nplus1 Singer Advisory LLP. The rate of discount at which ordinary shares will be bought back is targeted to be no more than 10 per cent.

Shareholder Workshop

Following the success of the Company's 18th Shareholder workshop in February 2013, the Company is pleased to announce that its next workshop will be held at The Central Hall, Westminster, London on 12 February 2014.

Related Party Transactions

A detailed listing of the related party transactions can be found in Note 10.

Prior Period Adjustment

It has recently come to light that a number of profits and losses on the disposal of investments in prior years had been incorrectly accounted for as unrealised, leading to a technical breach of company law in relation to the purchase of own shares and the payment of dividends since 1 April 2011. During the period ended 30 September 2013 the Company has reallocated these profits and losses from unrealised to realised reserves by way of a Prior Period Adjustment, full details of which are shown in Note 1. The adjustment had no impact on the Company's Net Asset Value at any time.

The Company has received external legal advice that the matter of the dividend payments can be rectified by the passing of certain special resolutions. The Company has also been advised that the purchase of own shares can be rectified by the passing of certain special resolutions, followed by an application to the Court to approve a reduction in share capital. The Company intends to put the relevant resolutions to Shareholders at a General Meeting to be held in January 2014 and to then apply to the Court to approve the reduction in share capital.

These accounts have been drawn up on the basis that the position is regularised by the proposed resolutions and the application to the Court.

Once the interim accounts to 30 September 2013 are filed at Companies House the Company will have an up-to-date set of relevant accounts which can be used as the basis for paying dividends and purchasing its own shares.

The errors were of a technical accounting classification nature and have no impact on the past or present Net Asset Value of your Company. Your Company will not bear any costs associated with the rectification process.

Outlook

In the last six months we have seen a continuation of difficult market conditions for UK companies. Whilst there appear to be some early signs of recovery the UK economy is not yet out of the woods. However there have been some growing signs of increasing confidence from small and medium sized businesses which does seem to be increasing the demand for capital.

In spite of this many of our portfolio companies have delivered improved results, focusing on proven brands, niche growth sectors or rolling out new technology. We hope to see economic conditions gradually improve but continue to plan for low growth and back business models which will still succeed in this environment. The increasing size and diversification of the portfolio should also help to reduce the volatility of returns.

We have seen a marked increase in new investment enquiries and believe the Company is well-placed to take advantage of these opportunities. The improving economic outlook, hesitant approach from the banks and changes in EU restrictions on qualifying VCT investments are all leading to an increase in the volume and scale of investment opportunities.

We are seeking to raise new funds, both to take advantage of these new investment opportunities and also to continue to support our successful portfolio businesses.

I would like to thank Shareholders for their continued support.

Helen Sinclair
Chairman
28 November 2013

Principal Risks and Uncertainties

Full details of the principal risks and uncertainties facing the Company were set out in the Risk Review on pages 29 and 30 of the financial statements for the year ended 31 March 2013, a copy of which can be found at www.yfmep.com.

The principal risks and uncertainties identified in the 2013 financial statements, and the policies and procedures for minimising these risks, remain unchanged. 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 2013. In summary, the principal risks are:

- Economic;
- Investment and strategic;
- Loss of approval as a Venture Capital Trust;
- Regulatory;
- Reputational;
- Operational;
- Financial; and
- Market/liquidity risk

Directors' Responsibility Statement

The directors of British Smaller Companies VCT plc confirm that, to the best of their knowledge, the condensed set of financial statements in this interim report have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU, and give a fair view of the assets, liabilities, financial position and profit or loss of British Smaller Companies VCT plc, and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The directors of British Smaller Companies VCT plc are listed in Note 9.

By order of the Board
Helen Sinclair
Chairman
28 November 2013

Independent review report to the members of British Smaller Companies VCT plc

Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report of British Smaller Companies VCT plc for the six months ended 30 September 2013 which comprises the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and the related
notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company's members, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review 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 independent review 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 review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

GRANT THORNTON UK LLP
AUDITOR

SHEFFIELD
28 November 2013

Statement of Comprehensive Income

For the 6 months ended 30 September 2013

		Unaudited 6 months ended 30 September 2013			Unaudited 6 months ended 30 September 2012		
	Notes	**Revenue £000**	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Gains on disposal of investments		**-**	**126**	**126**	-	190	190
Gains (losses) on investments held at fair value		**-**	**3,489**	**3,489**	-	(1,191)	(1,191)
Income	2	**627**	**-**	**627**	600	-	600
Administrative expenses:							
Fund management fee		**(105)**	**(316)**	**(421)**	(95)	(284)	(379)
Other expenses		**(181)**	**-**	**(181)**	(148)	-	(148)
		(286)	**(316)**	**(602)**	(243)	(284)	(527)
Profit (loss) before taxation		**341**	**3,299**	**3,640**	357	(1,285)	(928)
Taxation	3	**(38)**	**38**	**-**	(63)	63	-
Profit (loss) for the period		**303**	**3,337**	**3,640**	294	(1,222)	(928)
Total comprehensive income (loss) for the period		**303**	**3,337**	**3,640**	294	(1,222)	(928)
Basic and diluted earnings (loss) per ordinary share	5	**0.61p**	**6.75p**	**7.36p**	0.75p	(3.11)p	(2.36)p

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. 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.

The expenses benchmark recommended by the Association of Investment Companies (AIC) is the Ongoing Charges Percentage. The table below shows the Company's percentage in the past six months as well as for comparative periods. An adjusted Ongoing Charges Percentage is also provided to show the impact of performance fees.

In order to provide Shareholders with comparable data to prior periods and to assist understanding of the fund management agreement the Company has chosen to also disclose the Total Expense Ratio% (TER%). This is calculated as the annual ongoing charges (excluding trail commission and irrecoverable VAT) over Total Net Assets as at the relevant period end and is currently capped at 3.25 per cent, whereby excess costs over this value are absorbed by the Fund Manager. The annualised TER% as at 30 September is shown below:

	6 months Sept 2013 (%)	6 months Sept 2012 (%)	12 months March 2013 (%)
Ongoing charges	2.4	2.4	2.6
Adjusted ongoing charges	2.4	2.6	2.7
Total expense ratio (TER)	2.4	2.6	2.5

Balance Sheet

As at 30 September 2013

	Notes	**Unaudited 6 months ended 30 September 2013**	Unaudited 6 months ended 30 September 2012 Restated	Audited Year ended 31 March 2013 Restated
		£000	£000	£000
Assets				
Non-current assets				
Investments		**33,995**	27,660	27,560
Fixed income government securities		**2,427**	2,495	2,474
Financial assets at fair value through profit or loss	6	**36,422**	30,155	30,034
Current assets				
Trade and other receivables		**329**	469	197
Cash on fixed term deposit		**2,000**	5,125	1,500
Cash and cash equivalents		**10,847**	1,509	10,669
		13,176	7,103	12,366
Liabilities				
Current liabilities				
Trade and other payables		**(91)**	(82)	(311)
Net current assets		**13,085**	7,021	12,055
Net assets		**49,507**	37,176	42,089
Shareholders' equity				
Share capital		**5,348**	4,219	4,661
Share premium account		**12,879**	24,683	7,236
Capital redemption reserve		**221**	221	221
Treasury share reserve		**(3,082)**	(2,349)	(2,753)
Capital reserve		**1,651**	(1,636)	(1,360)
Investment holdings gains (losses) reserve		**13,006**	7,846	9,259
Special reserve		**19,181**	2,408	23,462
Retained earnings		**303**	1,784	1,363
Total Shareholders' equity		**49,507**	37,176	42,089
Basic and diluted Net Asset Value per ordinary share	**7**	**99.2p**	94.2p	97.0p

Signed on behalf of the Board

Helen Sinclair
Chairman
28 November 2013

Statement of Changes in Equity

For the 6 months ended 30 September 2013

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Treasury share reserve £000	Capital reserve £000	Investment holding gains (losses) reserve £000	Special reserve £000	Revenue reserve £000	Total equity £000
At 31 March 2012	**4,039**	**23,176**	**221**	**(2,048)**	**-**	**7,432**	**2,408**	**2,666**	**37,894**
Prior Period Adjustment	-	-	-	-	(1,578)	1,578	-	-	-
Restated at 31 March 2012	**4,039**	**23,176**	**221**	**(2,048)**	**(1,578)**	**9,010**	**2,408**	**2,666**	**37,894**
Revenue return for the period	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*357*	*357*
Taxation	*-*	*-*	*-*	*-*	*63*	*-*	*-*	*(63)*	*-*
Capital expenses	*-*	*-*	*-*	*-*	*(284)*	*-*	*-*	*-*	*(284)*
Investment holding loss on investments held at fair value	*-*	*-*	*-*	*-*	*-*	*(1,191)*	*-*	*-*	*(1,191)*
Realisation of investments in the period	*-*	*-*	*-*	*-*	*190*	*-*	*-*	*-*	*190*
Total comprehensive income for the period	-	-	-	-	(31)	(1,191)	-	294	(928)
Issue of share capital	*153*	*1,375*	*-*	*-*	*-*	*-*	*-*	*-*	*1,528*
Issue of shares - DRIS	*27*	*213*	*-*	*-*	*-*	*-*	*-*	*-*	*240*
Issue costs	*-*	*(81)*	*-*	*-*	*-*	*-*	*-*	*-*	*(81)*
Purchase of own shares	*-*	*-*	*-*	*(301)*	*-*	*-*	*-*	*-*	*(301)*
Dividends	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(1,176)*	*(1,176)*
Total transactions with Shareholders	180	1,507	-	(301)	-	-	-	(1,176)	210
Realisation of prior year investment holding losses	-	-	-	-	(27)	27	-	-	-
At 30 September 2012	**4,219**	**24,683**	**221**	**(2,349)**	**(1,636)**	**7,846**	**2,408**	**1,784**	**37,176**
Revenue return for the period	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*437*	*437*
Taxation	*-*	*-*	*-*	*-*	*75*	*-*	*-*	*(75)*	*-*
Capital expenses	*-*	*-*	*-*	*-*	*(319)*	*-*	*-*	*-*	*(319)*
Investment holding gain on investments held at fair value	*-*	*-*	*-*	*-*	*-*	*1,424*	*-*	*-*	*1,424*
Gain on disposal of investments in the period	*-*	*-*	*-*	*-*	*509*	*-*	*-*	*-*	*509*
Total comprehensive income for the period	-	-	-	-	265	1,424	-	362	2,051
Issue of share capital	*424*	*3,716*	*-*	*-*	*-*	*-*	*-*	*-*	*4,140*
Issue costs	*-*	*(242)*	*-*	*-*	*-*	*-*	*-*	*-*	*(242)*
Purchase of own shares	*-*	*-*	*-*	*(404)*	*-*	*-*	*-*	*-*	*(404)*
Issue of shares - DRIS	*18*	*143*	*-*	*-*	*-*	*-*	*-*	*-*	*161*
Dividends	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(783)*	*(783)*
Total transactions with Shareholders	442	3,617	-	(404)	-	-	-	(783)	2,872
Reduction in share premium account	-	(21,064)	-	-	-	-	21,064	-	-
Reduction in share premium account - expenses	-	-	-	-	-	-	(10)	-	(10)
Realisation of prior year investment holding gains	-	-	-	-	11	(11)	-	-	-
At 31 March 2013	**4,661**	**7,236**	**221**	**(2,753)**	**(1,360)**	**9,259**	**23,462**	**1,363**	**42,089**

Statement of Changes in Equity

For the 6 months ended 30 September 2013

	Share capital £000	Share premium account £000	Capital Redemption reserve £000	Treasury share reserve £000	Capital reserve £000	Investment holding gains (losses) reserve £000	Special reserve £000	Revenue reserve £000	Total equity £000
At 31 March 2013	**4,661**	**7,236**	**221**	**(2,753)**	**(1,360)**	**9,259**	**23,462**	**1,363**	**42,089**
Revenue profit for the period	-	-	-	-	-	-	-	*341*	*341*
Taxation	-	-	-	-	*38*	-	-	*(38)*	-
Capital expenses	-	-	-	-	*(316)*	-	-	-	*(316)*
Investment holding gain on investments held at fair value	-	-	-	-	-	*3,489*	-	-	*3,489*
Gain on disposal of investments in the period	-	-	-	-	*126*	-	-	-	*126*
Total comprehensive income for the period	-	-	-	-	(152)	3,489	-	303	3,640
Issue of ordinary share capital	*640*	*5,558*	-	-	-	-	-	-	*6,198*
*Issue of shares – DRIS***	*47*	*370*	-	-	-	-	-	-	*417*
*Issue costs of ordinary shares**	-	*(285)*	-	-	-	-	-	-	*(285)*
Purchase of own shares	-	-	-	*(329)*	-	-	-	-	*(329)*
Dividends	-	-	-	-	-	-	*(860)*	*(1,363)*	*(2,223)*
Total transactions with Shareholders	*687*	*5,643*	-	(329)	-	-	(860)	(1,363)	3,778
Realisation of prior year investment holding losses	-	-	-	-	(258)	258	-	-	-
Reallocated prior period losses	-	-	-	-	2,257	-	(2,257)	-	-
Transfer current year losses to Special reserve	-	-	-	-	285	-	(285)	-	-
Transfer current year advice fee to Special reserve	-	-	-	-	316	-	(316)	-	-
Transfer prior year advice fee to Special reserve	-	-	-	-	563	-	(563)	-	-
At 30 September 2013	*5,348*	*12,879*	*221*	(3,082)	1,651	13,006	19,181	303	**49,507**

* Issue costs include both fundraising costs and expenses incurred from the Company's DRIS**
** DRIS being the dividend re-investment scheme

Statement of Cash Flows

For the 6 months ended 30 September 2013

	Unaudited 6 months ended 30 September 2013	Unaudited 6 months ended 30 September 2012	Audited Year ended 31 March 2013
	£000	£000	£000
Net cash outflow from operating activities	**(98)**	(1,559)	(1,098)
Cash flows from investing activities			
Cash placed on fixed term deposit	**(2,000)**	(5,125)	-
Cash from maturing fixed term deposit	**1,500**	5,000	3,500
Purchase of financial asset investments	**(4,854)**	(5,938)	(6,097)
Proceeds from sale of financial asset investments	**1,997**	1,576	3,801
Net cash (used in) from investing activities	**(3,357)**	(4,487)	1,204
Cash flows from financing activities			
Issue of ordinary shares	**6,098**	1,523	5,668
Cost of ordinary share issue	**(184)**	(103)	(349)
Purchase of own ordinary shares	**(466)**	(301)	(569)
Share premium reduction costs	**(9)**	-	(1)
Dividends paid (net of dividend re-investment scheme)	**(1,806)**	(936)	(1,558)
Net cash from financing activities	**3,633**	183	3,191
Net increase (decrease) in cash and cash equivalents	**178**	(5,863)	3,297
Cash and cash equivalents at the beginning of the period	**10,669**	7,372	7,372
Cash and cash equivalents at the end of the period	**10,847**	1,509	10,669

Reconciliation of loss before taxation to net cash outflow from operating activities

Profit (loss) before tax	**3,640**	(928)	1,123
(Increase) decrease in trade and other receivables	**(37)**	(23)	246
Decrease in trade and other payables	**(75)**	(1,601)	(1,517)
Profit on disposal of investments in the year	**(126)**	(190)	(699)
(Profit) loss on investments held at fair value	**(3,489)**	1,191	(233)
Capitalised interest	**(11)**	(8)	(18)
Net cash outflow from operating activities	**(98)**	(1,559)	(1,098)

Notes to the Financial Statements

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

The half year statements are unaudited but have been reviewed by the Company's 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 2013 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2013 (as explained below). 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 2013, except as noted below.

The financial statements for the year ended 31 March 2013 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.

Prior Period Adjustment

The Company has recently completed a detailed reconciliation of its Investment Holding Gains and Losses Reserve, an unrealised reserve. This work has uncovered net realised losses of £1.578 million between 2006 and 2008 that should have been classified as realised gains and losses within the Company's Capital Reserve. Whilst not impacting the Company's Net Asset Value during this time, the reclassification of these losses has a material impact on the Company's distributable reserves and, as a result, the Company has decided that this should be corrected by a Prior Period Adjustment ("PPA") and this is reflected in this set of interim accounts.

The nature of these losses has led the Company's professional advisers to conclude that the accounts for the period ended 31 March 2011 were the last ones that can represent the Company's most recent relevant accounts for the purposes of distributions such as dividends and the purchase of own shares.

At 31 March 2011 the Company had total distributable reserves of £4.455 million and since then the Company has paid dividends totalling £12.42 million and repurchased its own shares to a value of £1.216 million. Although the Company's management accounts showed sufficient distributable reserves to make these payments, these reserves will not become available to satisfy any of these payments until the current set of accounts has been filed with the Registrar of Companies. As at 30 September 2013 the Company had distributable reserves of £18.1 million.

The Company has received external legal advice that the matter of the dividend payments can be rectified by the passing of certain special resolutions. The Company has also been advised that the purchase of own shares can be rectified by the passing of certain special resolutions, followed by an application to the Court to approve a reduction in share capital. The Company intends to put the relevant resolutions to Shareholders at a General Meeting to be held in January 2014.

Other standards and interpretations have been issued which will be effective for future accounting periods but have not been adopted early in these financial statements. These include the new standards IFRS9, IFRS10, IFRS11 and IFRS12 in addition to amendments to IFRS7, IAS 27, IAS 28, IAS 36, IAS 32 and IAS 39. A full impact assessment has not yet been completed in order to assess whether these new standards will have a material impact on the financial statements.

Going Concern: The directors have carefully considered the issue of going concern and are satisfied that the Company has sufficient resources to meet its obligations as they fall due for a period of at least twelve months from the date these half year statements were approved. As at 30 September 2013 the Company held cash balances, investments in fixed income securities and fixed term deposits with a combined value of £15,274,000. Cash flow projections show the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of share buy-backs and the dividend policy. The directors therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing these half year statements.

Standards and interpretations which have been issued or revised, for which their issue or revision will be effective for the accounting period ending 31 March 2014, but do not have a significant impact for the Company are IFRS 1, IFRS 7, IFRS 13, IAS 1 and IAS 12.

Capital Reserves

On 13 March 2013, the amount standing to the credit of the share premium account as at 5 May 2011 was cancelled pursuant to an order of court following the passing of a special resolution. The credit arising of £21,063,637 has been transferred to a Special reserve, which shall be applied in any manner in which the Company's profits available for distribution are able to be applied.

The realised losses incurred following the sale of investments in the six months to date and those incurred in the prior 12 months have been transferred to this Special reserve along with some dividends and 75 per cent of the Fund Manager's fee expense incurred in the same period.

2. Income

	Unaudited 6 months ended 30 September 2013 £000	Unaudited 6 months ended 30 September 2012 £000
Income from investments:		
-Dividends from unquoted companies	**22**	10
-Dividends from quoted companies	**128**	30
	150	40
-Interest on loans to unquoted companies	**381**	452
-Fixed interest Government securities	**28**	29
Income from investments held at fair value through profit or loss	**559**	521
Interest on deposits	**68**	79
	627	600

3. Taxation

	Unaudited 6 months ended 30 September 2013			Unaudited 6 months ended 30 September 2012		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000
Profit (loss) before taxation	**341**	**3,299**	**3,640**	357	(1,285)	(928)
Profit (loss) multiplied by standard small company rate of corporation tax in UK of 20% (2012: 20%)	**68**	**660**	**728**	71	(257)	(186)
Effect of:						
UK dividends received	**(30)**	**-**	**(30)**	(8)	-	(8)
Non taxable (profits) losses on investments	**-**	**(723)**	**(723)**	-	200	200
Excess management expenses	**-**	**25**	**25**	-	(6)	(6)
Tax charge (credit)	**38**	**(38)**	**-**	63	(63)	-

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 the Directors currently believe that there will be insufficient 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 2013			Unaudited 6 months ended 30 September 2012			Audited Year ended 31 March 2013		
	Revenue £000	**Capital £000**	**Total £000**	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final paid – 3.5p per ordinary share; (2012: 3.0p per ordinary share)	**1,363**	**366**	**1,729**	1,176	-	1,176	1,176	-	1,176
Interim – 2012: 2.0p per ordinary share	**-**	**-**	**-**	-	-	-	783	-	783
Special dividend - 1.0p per ordinary Share	**-**	**494**	**494**	-	-	-	-	-	-
	1,363	**860**	**2,223**	1,176	-	1,176	1,959	-	1,959
Shares issued under the DRIS			**(417)**			(240)			(401)
Dividend in Statement of Cash Flows			**1,806**			936			1,558

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 re-investment scheme.

5. Basic and diluted earnings (loss) per ordinary share

The basic and diluted earnings per ordinary share is based on the profit for the period attributable to equity Shareholders of £3,640,000 (30 September 2012: loss of £928,000) and on 49,425,244 shares (30 September 2012: 39,381,914), 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 £303,000 (30 September 2012: profit of £294,000) and on 49,425,244 shares (30 September 2012: 39,381,914), 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 profit for the period attributable to equity Shareholders of £3,337,000 (30 September 2012: loss of £1,222,000) and on 49,425,224 shares (30 September 2012: 39,381,914), being the weighted average number of shares in issue during the period.

6. Financial assets at fair value through profit and loss

IFRS 13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level within the following fair value measurement hierarchy:

- Level 1: quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. An active market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1 and comprise mostly AIM quoted investments (with one investment traded on the ISDX Growth Market) or government and other fixed income securities classified as held at fair value through profit or loss.

- Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Company held no such instruments in the current or prior year.

- Level 3: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Each investment is reviewed at least quarterly to ensure that it has not ceased to meet the criteria of the level in which it is included at the beginning of each reporting period. There has been one transfer between these classifications in the period (March 2013: none, September 2012: none) following the listing of Cambridge Cognition plc on the Alternative Investment Market. The change in fair value for the current and previous year is recognised through profit or loss.

All items held at fair value through profit or loss were designated as such upon initial recognition and are subject to recurring valuations on at least a quarterly basis.

Valuation of Investments

Initial Measurement**:** Financial assets are initially measured at fair value. The best estimate of the initial 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 (“the 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.

Full details of the methods used by the Company were set out on page 27 of the financial statements for the year ended 31 March 2013, a copy of which can be found at www.yfmep.com.Where investments are in quoted stocks, fair value is set at the market price.

The primary methods used for valuing non-quoted investments, and the key assumptions relating to them are:

Price of recent investment, reviewed for changes in fair value: the cost of the investment, adjusted for background factors specific to the investment, is taken as a reasonable assessment of the fair value for a period of up to one year. During this period performance against budget is monitored for evidence of changes to this initial fair value. 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 to the multiple by the Fund Manager based on perceived market interest in that company or sector and on any benefit that may be observed by holding a significant shareholding or superior rights.

Movements in investments at fair value through profit or loss during the six months to 30 September 2013 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1		Level 1	
	Unquoted investments £000	Quoted Equity investments £000	Total quoted and unquoted £000	Fixed income securities £000	Total investments £000
Opening cost	15,084	3,366	18,450	2,427	20,877
Opening valuation gain	9,553	(443)	9,110	47	9,157
Opening fair value at 1 April 2013	24,637	2,923	27,560	2,474	30,034
Transfer between Level 1 & Level 3	(192)	192	-	-	-
Additions at cost	4,170	224	4,394	460	4,854
Capitalised interest	11	-	11	-	11
Disposal proceeds	(1,326)	(300)	(1,626)	(459)	(2,085)
Net profit on disposal*	1	120	121	(2)	119
Change in fair value	2,781	754	3,535	(46)	3,489
Closing fair value at 30 September 2013	30,082	3,913	33,995	2,427	36,422
Closing cost	17,622	3,361	20,983	2,436	23,419
Closing valuation gain (loss)	12,460	552	13,012	(9)	13,003
Closing fair value at 30 September 2013	30,082	3,913	33,995	2,427	36,422

During the six months to 30 September 2013 the investment in Cambridge Cognition plc was listed on the Alternative Investment Market (AIM). As such the carrying value of the investment at 1 April 2013 was re-categorised between Level 1 and Level 3, as shown in the table above.

All of the changes in fair value during the year related to assets held at the period end.

*The net profit on disposal in the table above is £119,000 whereas that shown in the Statement of Comprehensive Income is £126,000. The difference comprises deferred proceeds of £7,000 in respect of assets which have been disposed and are not included within the investment portfolio at the period end.

The movements in Level 1 and Level 3 instruments, as defined earlier in this Note, are summarised below.

	2013		
	Level 1 £000	**Level 3 £000**	**Total £000**
Opening fair value at 1 April 2013	**5,397**	**24,637**	**30,034**
Transfer between Level 1 & Level 3	192	(192)	-
Additions at cost	684	4,170	4,854
Capitalised interest	-	11	11
Disposal proceeds	(759)	(1,326)	(2,085)
Net profit on disposal	118	1	119
Change in fair value	708	2,781	3,489
Closing fair value at 30 September 2013	**6,340**	**30,082**	**36,422**

Level 3 valuations include assumptions based on non-observable market data, such as discounts applied either to reflect change in fair value of financial assets held at the price of recent investment, or to adjust earnings multiples.

IFRS 13 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The portfolio has been reviewed and both downside and upside possible alternative assumptions have been identified and applied to the valuation of each of the unquoted investments. Applying the downside alternatives the value of the unquoted investments would be £3,633,000 (12.1 per cent) lower. Using the upside alternative the value would be increased by £4,104,000 (13.6 per cent).

Of the Company’s equity investments, 11.5 per cent are quoted on AIM (31 March 2013: 17 per cent). A five per cent increase in stock prices as at 30 September 2013 would have increased the net assets attributable to the Company’s Shareholders and the total profit for the year by £196,000 (31 March 2013: £146,000). 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 period by an equal amount.

Of the Company’s equity investments, 88.5 per cent are in unquoted companies held at fair value (March 2013: 83 per cent). 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. Those using an earnings multiple methodology include judgements regarding the level of discount applied to that multiple. A 10 per cent decrease in the discount applied would have increased the net assets attributable to the Company's Shareholders and the total profit for the year by £2,847,000 (6.8 per cent of net assets). A change in the opposite direction would have decreased net assets attributable to the Company's Shareholders and the total profit for the period by the same amount.

The total of fair value adjustments below cost made against unquoted investments at 30 September 2013 amounted to £1,213,000 (31 March 2013: £1,655,000).

There have been no individual fair value adjustments downwards during the period that exceeded five per cent of the total assets of the Company (31 March 2013: none).

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

The following disposals took place during the period (all companies are unquoted except where otherwise stated).

	Net proceeds from sale £'000	Cost £000	Opening carrying value as at 1 April 2013 £000	Profit (loss) on disposal £000
Seven Technologies Holdings Limited	1,302	1,302	1,302	-
Bluebell Telecom Group Limited	24	16	23	1
Straight plc*	31	116	27	4
Pressure Technologies plc*	269	140	153	116
	1,626	1,574	1,505	121
Deferred Proceeds				
Primal Pictures Limited – cash receipt	7	-	4	3
Primal Pictures Limited - revaluation	-	-	-	4
Total proceeds from quoted and unquoted investments	**1,633**	**1,574**	**1,509**	**128**
Fixed income securities	459	451	461	(2)
Total	**2,092**	**2,025**	**1,970**	**126**

*Designates AIM quoted investments

7. 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 £49,507,000 and 49,885,991 shares in issue at 30 September 2013 (30 September 2012: assets of £37,176,000 and 39,473,151 shares, 31 March 2013: assets of £42,089,000 and 43,390,772 shares).

On 5 April 2013 the Company issued 5,659,711 new ordinary shares with a further 714,323 issued on 30 April 2013, relating to the joint offer for subscription with British Smaller Companies VCT2 plc launched on 19 November 2012. In total this offer raised net proceeds of £9.75 million.

The Company also made an allotment of 26,109 ordinary shares on 9 May 2013 in response to an application by an individual Shareholder that was received by the Company after the close of the offer on 30 April 2013, the allotment being outside the offer.

On 13 August 2013 the Company allotted 472,076 new ordinary shares in respect of its dividend re-investment scheme at a price of 90.44p per ordinary share (30 September 2012: 261,760 new ordinary shares at a price of 91.77p per ordinary share).

The Company also repurchased 377,000 (30 September 2012: 354,107) of its own shares in the period at a cost of £0.3 million (six months to 30 September 2012: 354,107 shares at a cost of £0.3 million) and these shares are held in treasury. The total of 3,592,658 treasury shares has been excluded in calculating the number of ordinary shares in issue at 30 September 2013 (30 September 2012: 2,714,592 treasury shares). The Company has no securities that would have a dilutive effect and hence basic and diluted Net Asset Value per ordinary share is the same.

8. Total Return

Total Return per ordinary share is calculated on cumulative dividends paid of 88.7 pence per ordinary share (30 September 2012: 82.2 pence per ordinary share and 31 March 2013: 84.2 pence per ordinary share) plus the Net Asset Value at those dates as calculated per Note 7.

9. Directors

The directors of the Company are: Mrs H Sinclair (non-executive Chairman), Mr CWER Buchan (non-executive director) and Mr PS Cammerman (non-executive director).

10. Related parties

YFM Private Equity Limited ("the Fund Manager") provides fund management, secretarial and administrative services to the Company. Under the management agreement, the Fund Manager receives a fee of two per cent of gross assets less current liabilities, calculated at half-yearly intervals as at 31 March and 30 September. Under the same agreement the Fund Manager also provides administrative and secretarial services to the Company for a fee of £35,000 per annum as adjusted for changes in the Retail Price Index. During the period the Company has incurred management fees of £420,889 and secretarial fees of £28,851 payable to the Fund Manager.

Under the terms of the joint offer with British Smaller Companies VCT2 plc launched on 16 November 2012 (which closed on 30 April 2013), the Fund Manager was entitled to 5.5 per cent of gross subscriptions (before any early investment incentive and re-investment of intermediary commission) for all applications received on or before 28 December 2012. After this date the Fund Manager was entitled to 5.5 per cent of gross subscriptions from execution brokers and 3.5 per cent of gross subscriptions for applications received directly from applicants or through intermediaries offering financial advice. This amounted to £511,939 in total, of which £285,129 was received in the six months to 30 June 2013.

The Fund Manager met all costs and expenses arising from these offers out of these fees, including any early investment incentive and any payment or re-investment of initial intermediary commissions (excluding permissible trail commission, which will continue to be met by the Company).

11. Other information

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

For further information, please contact:

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