

BRITISH SMALLER COMPANIES VCT PLC Annual Financial Report

Announcement for

the Year to 31 March 2013

British Smaller Companies VCT plc (“the Company”) today announces its audited results for the year to 31 March 2013.

In spite of a continuation of the challenging economic environment, dividends paid and proposed for the year to 31 March 2013 have been increased by 1.5 pence per Ordinary Share to 6.5 pence per Ordinary share. The Total Return to Shareholders increased by 2.4 per cent in the year. The financial highlights are:

- An increase in Total Return of 2.4 per cent to 181.2 pence per ordinary share
- An increase in Net Asset Value of 2.4 per cent prior to the payment of dividends
- The investment portfolio has increased by 4.1 per cent on its opening value over the year
- An increase in the proposed final dividend to 3.5 pence per ordinary share from 3.0 pence per ordinary share in the previous year (subject to Shareholder approval)
- Dividends paid and proposed for the year ended 31 March 2013 total 6.5 pence per ordinary share
- Average annual dividend paid of 5.25 pence per ordinary share over five years, before taking account of the special dividend in respect of the partial disposal of GO Outdoors of 18.0 pence per ordinary share (paid in August 2011).

Chairman’s Statement

I am pleased to report another year of progress for your Company with Total Return (Net Asset Value plus cumulative dividends) rising by 2.4 pence per ordinary share over the year to 31 March 2013. This equates to an increase of 2.4 per cent on the opening Net Asset Value, a good result in the context of continuing economic uncertainty. As a comparison, the FTSE AIM All-Share® Index dropped by 8.2 per cent over the same period.

I am delighted to report that your Company has been ranked as a top five performer over the last three, five and ten years as reported by Citywire (Source: Citywire data as at 24 April 2013 - based on NAV performance).

Financial Results

The movement in Net Asset Value per ordinary share and the dividends paid in the year are summarised in the table below.

The Net Asset Value increased by 2.4 pence per ordinary share prior to the payment of dividends totalling 5.0 pence per ordinary share during the year.

At 31 March 2013 cash, fixed term deposits and government securities amounted to £14.6 million; 34.7 per cent of the Company's Net Asset Value. The gilt and fixed term security portfolio has remained stable over the year.

	Pence per ordinary share
31 March 2012	99.6
Net increase in portfolio	1.9
Other increase in value	0.4
Net increase in value	2.3
Buy-back of shares	0.3
Issue costs of new ordinary shares	(0.2)
Dividends paid	(5.0)
31 March 2013	97.0

Incentive Fee

In accordance with the terms of the investment management agreement an incentive fee of £0.03 million is payable to YFM Private Equity Limited. This payment is linked to achieving both a consistent and increasing dividend (with the target dividend, below which no incentive fee is payable, adjusted for RPI annually) as well as maintaining growth in the Net Asset Value above a hurdle.

Investment Portfolio

The net gain on the investment portfolio was £1.0 million, an increase of 4.1 per cent on the opening 31 March 2012 portfolio value of £24.2 million. This comprises profit on disposals of £0.7 million and an increase in the residual portfolio value of £0.3 million after allowing for the impact of investments and disposals. The residual portfolio value increase results from valuation growth of 4 per cent in respect of unquoted investments and a fall in value of 18 per cent in respect of quoted securities.

Good progress has been made by a number of our portfolio businesses which have seen profits grow despite the challenging economic environment, with the largest value gains being from DisplayPlan Holdings Limited and President Engineering Group Ltd, which increased by £1.7 million and £0.6 million respectively.

There are currently twenty-nine (2012: twenty-nine) companies in the portfolio of which twenty are unquoted and nine are quoted, with eight traded on AIM and one on the ISDX Growth Market. The current value of the unquoted portfolio is £24.7 million, whilst the quoted portfolio is valued at £2.9 million - these represent 89.4 per cent and 10.6 per cent of the total portfolio respectively.

New Investments

During the year ended 31 March 2013 the Company completed eight investments totalling £5.2 million. This comprised two new investments in unquoted companies, five follow-on investments into existing portfolio companies and one re-investment into an acquisition vehicle.

Disposal of Investments

During the year the Company received proceeds of £2.8 million on three full disposals and two partial disposals, including scheduled loan repayments. They contributed a profit of £0.7 million on both the cost and opening value, including a small profit on sales from the gilt portfolio.

Shareholder Relations

Dividends

Your Board remains committed to achieving an increasing dividend stream over time. Dividends paid in the year comprise a final dividend of 3.0 pence per ordinary share in respect of the year ended 31 March 2012 and an interim dividend of 2.0 pence per ordinary share in respect of the financial year just ended, totalling 5.0 pence per ordinary share. This represents 5 per cent of the opening Net Asset Value per ordinary share, bringing the cumulative dividends paid to 84.2 pence per ordinary share.

The Board is pleased to propose a final dividend of 3.5 pence per ordinary share payable in August 2013, representing a 0.5 pence increase on last year. In addition, following the realisation of investments in Fishawack Limited and Tikit Group plc, the Board is also declaring the payment of a 1.0 pence per ordinary share special dividend (payable at the same time as the final dividend).

The final dividend is subject to approval by Shareholders at the Annual General Meeting and, together with the special dividend, will be paid on 13 August 2013 to Shareholders on the register at 12 July 2013.

Dividend Re-investment Scheme (DRIS)

The Company operates a DRIS, which gives Shareholders the opportunity to re-invest any cash dividends. The DRIS is open to all Shareholders, including those who invested under the recent joint Offer.

Fundraising

Following an offer for subscription launched on 6 March 2012 your Board is pleased to announce that, during the month the offer was open, gross proceeds of £2.6 million were raised.

The recent changes to UK legislation implemented with effect from 6 April 2012 have increased the ability of Venture Capital Trusts to invest in growing British businesses. This, combined with the restricted supply of other forms of finance, make an attractive investment environment for those investors, such as VCTs, that are able to take a medium term view.

The Company therefore sought to increase further its investment capacity, through a joint offer with British Smaller Companies VCT2 plc launched on 16 November 2012 ("the Offer"). The Offer was fully subscribed and closed on 30 April 2013 with the Company raising a total of £10.3 million, before costs.

Share Buy-Back Policy

In recent years the rate of discount to Net Asset Value at which ordinary shares are bought back has been set at no more than 15 per cent. Following a review of this policy the Board is pleased to advise that the rate of discount at which ordinary shares will be bought back is targeted to be no more than 10 per cent.

Shareholder Communications

Your Board remains committed to enhancing Shareholder communications. Our 18th Shareholder Workshop was held at Lord's Cricket Ground in London on 6 February 2013 with approximately 200 Shareholders attending.

Presentations at the workshop were made by David Hall (on behalf of the Company's Fund Manager, YFM Private Equity Limited), as well as the managing directors of investee companies Selima Limited (Wayne Blakemore) and DisplayPlan Holdings Limited (Scott Morris) and independent analyst and commentator Martin Churchill.

Annual General Meeting

The Annual General Meeting of the Company will be held at 12.00 noon on 19 July 2013 at 33 St James Square, London, SW1Y 4JS. Full details of the agenda for this meeting are included in the Notice of the Annual General Meeting accompanying the Annual Report and Accounts to be sent to Shareholders shortly.

Subsequent Events

The Board is now seeing a marked increase in good quality investment opportunities for the Company and is well placed to capitalise on these, following recent fundraisings. In total £0.2 million has already been invested since the year end in:

- AB Dynamics plc; and
- GO Outdoors Limited.

In addition, a further £5.5 million of investment submissions have been approved by the Board pending satisfactory fulfilment of investment criteria.

The £1.3 million of non-qualifying loans to Seven Technologies Holdings Limited have been repaid as part of the funding package for the proposed acquisition of Datong plc.

Subsequent to the year end the Company allotted 6,400,143 new ordinary shares of 10.0 pence each, receiving gross proceeds of £6.2 million. Details of these allotments are as set out in note 11 of the Financial Statements. In total the Company raised net proceeds of £9.8 million under the joint Offer.

Outlook

It is encouraging to see another year where trading improvements across much of the portfolio have fed through into increased valuations. Many companies have taken opportunities to improve efficiency and capitalise on market changes resulting from the uncertain economic conditions. Your Company is well placed both to add to the diversity of its investment portfolio and to continue to

support existing portfolio companies as they seek to expand organically and through selective acquisitions.

The Board believes that the upcoming period is likely to present good investment opportunities, both for existing portfolio businesses and for new investments and this can already be seen clearly in the increasing investment rates.

The relaxation of some of the restrictions governing VCT qualifying investments is also expected to increase the number and scale of attractive opportunities over the coming years. It was with this in mind that we increased the investment capacity of the Company in order to be in a strong position to take advantage of these as they arise.

The strong long-term track record of your Company provides an excellent platform for future fundraising and investment activity.

I would like to again thank all Shareholders for their continued support, which we greatly value.

Helen Sinclair

Chairman

11 June 2013

Fund Manager's Review

Introduction

This year the Company has significantly increased its investment capacity to take advantage of further investment opportunities over the coming months, with £11.3 million of net funds raised since 31 March 2012. Although still unpredictable the last few months have delivered some excellent opportunities to invest in good growing businesses at attractive prices, evidenced by the investments completed or approved by the Board since the year end. This has been helped by the increase to £5.0 million in the amount that can now be invested in companies by Venture Capital Trusts and Enterprise Investment Schemes. Following recent fundraisings the Company is now well placed to select the best opportunities and to take advantage of strong investment opportunities.

In spite of a continuation of the challenging economic environment, there has been considerable further progress made by many of the businesses in the Company's portfolio during the year. The overall value gain from the portfolio was £1.0 million, an increase of 4.1 per cent on the opening 31 March 2012 portfolio value, which comprises profit on disposals during the year of £0.7 million and an increase in the residual portfolio value of £0.3 million.

Summary

Investment activity levels have increased with eight investments during the year totalling £5.2 million. This rate of investment has been maintained following the year end, with £0.2 million invested into two businesses, and £5.5 million of further investment approved by the Board.

The Company has made three full disposals, two partial disposals and received loan repayments during the year totalling £2.8 million of cash proceeds.

Cash and fixed income Government securities at 31 March 2013 were £14.6 million, representing 34.8 per cent of net assets. This compares to £14.9 million and 39.2 per cent of net assets at 31 March 2012.

Significant Investment Movements

In addition to financial performance some strong progress has been made during the year to position many of the portfolio companies for future value growth. These include the following:

- GO Outdoors Limited now has a total of 43 stores and has expanded its high quality team committed to growing the direct online sales channel.
- President Engineering Group Ltd has seen an increase in commissioning of ships for the transportation of LNG requiring its market-leading cryogenic valves.
- Harvey Jones Holdings Limited has opened a further three stores and is now focused on driving increased profits through existing locations.
- RMS Group Holdings Limited has delivered its fourth successive year of profit growth helped by its specialism in the growing waste-to-energy sector.
- Bagel Nash Group Limited has opened four new retail units and is relocating its bakery operation to increase capacity for further growth.
- PowerOasis Limited has closed a \$5.0 million investment round led by a key strategic partner who is actively driving sales opportunities in North America.
- Cambridge Cognition Limited, now Cambridge Cognition Holdings plc, successfully listed on AIM raising £5.0 million to fund expansion plans for its point of care diagnostic software.

Portfolio Overview

Portfolio Performance

Overall the portfolio remains well funded and positioned for value growth even if current difficult economic conditions continue. The underlying value growth of the opening quoted and unquoted portfolio was £1.0 million after adjusting for new investments and cash proceeds.

	Quoted and Unquoted portfolio £000	Deferred proceeds £000	Total £000
1 April 2012	24,200	-	24,200
Additions	5,213	-	5,213
Proceeds	(2,807)	-	(2,807)
Valuation changes			
Unquoted	811	-	
Quoted	(544)	-	
Profit on disposal	687	-	
Value growth	954	4	958
31 March 2013	27,560	4	27,564

The £0.8 million increase in value of the unquoted portfolio relates largely to the following significant movements:

- Increase of £1.7 million in DisplayPlan Holdings Limited following a very strong first year of trading for this retail display supplier;
- Increase of £0.6 million in President Engineering Group Ltd as sales growth continued for both of its niche engineering brands;
- Increase of £0.3 million in RMS Group Holdings Limited after another year of profit growth for this leading port operator on the Humber estuary;

- Increase of £0.2 million in Waterfall Services Limited following another year of profit growth;
- Decrease of £0.5 million in GO Outdoors Limited due to a slowdown in its growth rate as it weathered a market-wide decline in the retail sector. However it remains strongly profitable, and plans further new stores in 2013;
- Decrease of £0.4 million in Deep-Secure Ltd as profits declined in 2012 although the business remains profitable and continues to demonstrate a significant sales pipeline;
- Decrease of £0.4 million in TeraView Limited after an initial disappointing commercial take-up of its innovative terahertz technology by strategic partners; and
- Decrease of £0.6 million in Lightmain Company Limited as it faces a difficult market for selling into local authorities.

The quoted portfolio decrease of £0.5 million was due to a general negative swing across the markets but also affected by a small number of bigger changes. K3 Business Technology Group plc saw a value drop of £0.3 million following a difficult year for its core retail customer base, whilst Hargreaves Services plc saw a £0.2m value fall following operational issues at its Maltby coal mine. These were offset by a value gain of £0.2 million in Mattioli Woods plc which weathered the Retail Distribution Review and is now projecting sales growth.

In accordance with IFRS 7 a sensitivity analysis has been undertaken on the assumptions used to value investments in unquoted companies. The outcome of this sensitivity analysis can be found in note 7 of the Financial Statements to be circulated to Shareholders shortly.

The investment portfolio held at the year end can be analysed into the following categories:

	£'000
Unquoted Investments:	
Non Qualifying	753
Qualifying	23,884
	24,637
AIM/ISDX Growth Market Listed Investments:	
Non Qualifying	770
Qualifying	2,153
	2,923
Total Investments	27,560

Investment Activity

During the year the Company made a total of eight investments (£5.2 million), comprising two new investments in the unquoted portfolio, one re-investment into an acquisition vehicle and five follow-on investments into existing companies. New investments were made as follows:

- £2.5 million to support the expansion plans of Seven Technologies Holdings Limited, a world leading provider of electronic and communication equipment designed to operate in remote and inhospitable environments; and
- £1.2 million into Insider Technologies (Holdings) Limited, an established UK provider of monitoring and scheduling software to the UK financial services sector.

The five follow-on investments totalled £0.5 million with the most significant being a £0.2 million investment into Vianet Group plc, a leading provider of remote monitoring software to the brewing, fuel supply and vending sectors.

<i>New Investments:</i>	£million
Seven Technologies Holdings Limited	2.52
Insider Technologies (Holdings) Limited	1.17
<i>Re-invested:</i>	
Fairlight Bridge Limited	1.00
<i>Follow-on Investments:</i>	
Vianet Group plc	0.24
Hargreaves Services plc	0.10
Lightmain Company Limited	0.08
PowerOasis Limited	0.05
Dryden Human Capital Group Limited	0.03
Bagel Nash Group Limited (<i>Capitalised Interest</i>)	0.02
Total	5.21

Disposals

In the year to 31 March 2013 the Company made a number of significant full and partial disposals from both the quoted AIM and unquoted investment portfolio, generating over £2.8 million in cash proceeds. This has resulted in £0.7 million of profit in excess of opening value in the year, and profit on cost of £0.7 million. The three most significant disposals from the unquoted portfolio were:

- Fishawack Limited was sold to a secondary buy-out with backing from the private equity investor GCP in March 2013 achieving a cash multiple over its life of 1.9x cost. This delivered total cash proceeds for the year of £1.3 million and a profit on value and cost of £0.4 million. The Company supported the management team through their strategy of growing the business by acquisition since the buy-in. The company currently has revenues of over £10 million which have trebled since the initial investment in 2008;
- Primal Pictures Limited was sold via a trade sale to Informa plc in August 2012 resulting in a cash multiple of 1.4x cost. This generated cash proceeds of £0.6 million and a profit on value of £0.2 million. This was a long term investment for the Company, which invested in 2001 and worked closely with the business to reposition itself as a provider of online educational products; and
- Tikit Group plc was sold via a trade sale to British Telecommunications plc in January 2013, generating a cash multiple of 3.6x cost, cash proceeds of £0.5 million and a profit on initial investment cost of £0.4 million.

Partial realisations of £0.2 million in total were also achieved from quoted EKF Diagnostics Holdings plc and Straight plc.

	Net proceeds from sale of investments	Cost of investment	Profit on cost	Opening value 1 April 2012	Profit on opening value
	£000	£000	£000	£000	£000
Sale of investments	2,807	2,172	635	2,120	687
Fixed income securities	901	858	43	893	8
Total cash proceeds	3,708	3,030	678	3,013	695
Deferred proceeds accrued	4	n/a	4	n/a	4
Total cash and deferred proceeds	3,712	3,030	682	3,013	699

Summary and Outlook

The year under review has seen a continuation of some of the previous challenging market conditions and management teams now pragmatically expect these conditions to continue for some time to come. However, in spite of this, further value growth has been achieved in the year as these small businesses push ahead with clear growth strategies and rapidly increase market share. The portfolio is becoming increasingly diverse, and well-funded to deliver further value gains over the coming years.

Cash reserves remain strong after the successful fundraising, so the Company is well-placed to take advantage of the increasing investment opportunities, continue to support the portfolio and maintain consistent and growing dividend levels.

David Hall

YFM Private Equity Limited

11 June 2013

Principal Risks, Risk Management and Regulatory Environment

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

Economic Risk – Events such as recession and interest rate fluctuations could affect smaller companies' performance and valuations.

Mitigation - As well as the response to 'Investment and Strategic' risk below the Company has a clear investment policy and a diversified portfolio operating in a range of sectors. The Fund Manager actively monitors investee performance which provides quality information for the monthly review of the portfolio.

Investment and Strategic Risk – Inappropriate strategy, poor asset allocation or consistently weak stock allocation may lead to under performance and poor returns to Shareholders. The quality of enquiries, investments, investee company management teams and monitoring, and the risk of not identifying investee under performance might also lead to under performance and poor returns to Shareholders.

Mitigation - The Board reviews strategy annually. At each of the (at least) quarterly Board meetings the directors review the appropriateness of the Company's objectives and stated strategy in response to changes in the operating environment and peer group activity. The Fund Manager carries out due diligence on potential investee companies and their management teams and utilises external reports where appropriate to assess the viability of investee businesses before investing. Wherever possible a non-executive director will be appointed to the board of the investee company.

Loss of Approval as a VCT - The Company must comply with Chapter 3 Part 6 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying Shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains.

Mitigation - One of the Key Performance Indicators monitored by the Company is its compliance with legislative tests.

Regulatory Risk – The Company is required to comply with the Companies Act 2006, the rules of the UK Listing Authority and International Financial Reporting Standards as adopted by the European Union ('IFRSs'). Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

Mitigation - The Fund Manager has procedures in place to ensure recurring Listing Rules requirements are met and actively consults with brokers, solicitors and external compliance advisers as appropriate.

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

Mitigation - The Board is comprised of directors with suitable experience and qualifications who report annually to the Shareholders on their independence. The Fund Manager is well-respected with a proven track record and has a formal recruitment process to employ experienced investment staff. Allocation rules, relating to co-investments with other funds managed by the Fund Manager, have been agreed between the Fund Manager and the Company. Advice is sought from external advisers where required. Both the Company and the Fund Manager maintain appropriate insurances.

Operational Risk – Failure of the Fund Manager's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.

Mitigation - The Fund Manager has a documented disaster recovery plan.

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

Mitigation - The Company has key controls around financial reporting.

Market/liquidity Risk – Lack of liquidity in both the venture capital and public markets. Investment in companies traded on AIM / the ISDX Growth Market and unquoted companies, by their nature, involve a higher degree of risk than investment in companies trading on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. The fact that a share is traded on AIM or the ISDX Growth Market does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

Mitigation - Overall liquidity risks are monitored on an ongoing basis by the Fund Manager and on a quarterly basis by the Board. Sufficient investments in cash and fixed income securities are maintained to pay expenses as they fall due.

Responsibility statements of the directors in respect of the Annual Report and Accounts

The Annual Report and Accounts contains the following statements regarding responsibility for the Directors' Report and financial statements included in the Annual Report and Accounts from which the information in this Announcement has been extracted (references in the following statements are to sections of the Annual Report and Accounts).

The directors confirm, to the best of their knowledge, that:

- the Financial Statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the management report included within the Chairman's Statement, Fund Manager's Review and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with the principal risks and uncertainties that it faces.

Statement of Comprehensive Income for the year to 31 March 2013

	Notes	2013			2012		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments		-	699	699	-	2,178	2,178
Gains on investments held at fair value		-	233	233	-	166	166
Income	2	1,323	-	1,323	1,236	-	1,236
Administrative expenses:							
Fund management fee		(188)	(564)	(752)	(201)	(604)	(805)
Incentive fee		-	(39)	(39)	-	(1,415)	(1,415)
Other expenses		(341)	-	(341)	(296)	-	(296)
		(529)	(603)	(1,132)	(497)	(2,019)	(2,516)
Profit before taxation		794	329	1,123	739	325	1,064
Taxation	3	(138)	138	-	(64)	64	-
Profit for the year		656	467	1,123	675	389	1,064
Total comprehensive income for the year		656	467	1,123	675	389	1,064
Basic and diluted earnings per ordinary share	5	1.62p	1.16p	2.78p	1.85p	1.07p	2.92p

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.

Balance Sheet at 31 March 2013

	Notes	2013 £000	2012 £000
Assets			
Non-current assets			
Investments		27,560	24,200
Fixed income government securities		2,474	2,499
Financial assets at fair value through profit or loss		30,034	26,699
Current assets			
Trade and other receivables		197	532
Cash on fixed term deposit		1,500	5,000
Cash and cash equivalents		10,669	7,372
		12,366	12,904
Liabilities			
Current liabilities			
Trade and other payables		(311)	(1,709)
Net current assets		12,055	11,195
Net assets		42,089	37,894
Shareholders' equity			
Share capital		4,661	4,039
Share premium account		7,236	23,176
Capital redemption reserve		221	221
Treasury share reserve		(2,753)	(2,048)
Capital reserve		218	-
Investment holding gains		7,681	7,432
Special reserve		23,462	2,408
Revenue reserve		1,363	2,666
Total Shareholders' equity		42,089	37,894
Basic and diluted Net Asset Value per ordinary share	6	97.0p	99.6p

Statement of Changes in Equity for the year to 31 March 2013

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Treasury share reserve £000	Capital reserve £000	Investment holding gains (losses) £000	Special reserve £000	Revenue reserve £000	Total equity £000
Balance at 31 March 2011	3,646	19,492	221	(1,866)	(372)	11,780	2,408	5,863	41,172
<i>Revenue return for the year</i>	-	-	-	-	-	-	-	675	675
<i>Capital expenses</i>	-	-	-	-	(1,955)	-	-	-	(1,955)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	166	-	-	166
<i>Gain on disposal of investments in the year</i>	-	-	-	-	2,178	-	-	-	2,178
Total comprehensive income for the year	-	-	-	-	223	166	-	675	1,064
<i>Issue of share capital</i>	250	2,647	-	-	-	-	-	-	2,897
<i>Issue costs*</i>	-	(173)	-	-	-	-	-	-	(173)
<i>Issue of shares – DRIS</i>	143	1,210	-	-	-	-	-	-	1,353
<i>Purchase of own shares</i>	-	-	-	(182)	-	-	-	-	(182)
<i>Dividends</i>	-	-	-	-	(4,365)	-	-	(3,872)	(8,237)
Total transactions with owners	393	3,684	-	(182)	(4,365)	-	-	(3,872)	(4,342)
Realisation of prior year investment holding gains	-	-	-	-	4,514	(4,514)	-	-	-
Balance at 31 March 2012	4,039	23,176	221	(2,048)	-	7,432	2,408	2,666	37,894
<i>Revenue return for the year</i>	-	-	-	-	-	-	-	656	656
<i>Capital expenses</i>	-	-	-	-	(465)	-	-	-	(465)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	233	-	-	233
<i>Gain on disposal of investments in the year</i>	-	-	-	-	699	-	-	-	699
Total comprehensive income for the year	-	-	-	-	234	233	-	656	1,123
<i>Issue of share capital</i>	577	5,091	-	-	-	-	-	-	5,668
<i>Issue costs*</i>	-	(323)	-	-	-	-	-	-	(323)
<i>Issue of shares – DRIS</i>	45	356	-	-	-	-	-	-	401
<i>Purchase of own shares</i>	-	-	-	(705)	-	-	-	-	(705)
<i>Dividends</i>	-	-	-	-	-	-	-	(1,959)	(1,959)
Total transactions with owners	622	5,124	-	(705)	-	-	-	(1,959)	3,082
Reduction in share premium account	-	(21,064)	-	-	-	-	21,064	-	-
Reduction in share premium account expenses	-	-	-	-	-	-	(10)	-	(10)
Realisation of prior year investment holding losses	-	-	-	-	(16)	16	-	-	-
Balance at 31 March 2013	4,661	7,236	221	(2,753)	218	7,681	23,462	1,363	42,089

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

The treasury share reserve was created for the purchase and holding of the Company's own shares. The capital redemption reserve was created for the purchase and cancellation of the Company's own shares.

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

The investment holding gains (losses) reserve includes increases and decreases in the valuation of investments held at fair value. This is a non-distributable reserve.

The special reserve was created following approval of the Court and a resolution of the Shareholders passed on 16 July 1999 to cancel the Company's share premium account. Following the approval of the Court and the passing of a special resolution the amount standing to the credit of the share premium account at 5 May 2011 was cancelled and transferred to the special reserve on 13 March 2013.

The special reserve, capital reserve, revenue reserve and treasury reserve are all included when determining distributable reserves. These reserves total £22,290,000 (2012: £3,026,000) representing an increase of £19,264,000 (2012: £3,007,000 decrease) during the year. This change arises from the profit in the year of £890,000 (2012: £898,000), a transfer of valuation losses from the investment holding reserve of £16,000 (2012: £4,514,000 transfer of valuation profits), dividends of £1,959,000 (2012: £8,237,000), transfer of £21,054,000 (2012: £nil) on the reduction in share premium (net of expenses) and the purchase of own ordinary shares of £705,000 (2012: £182,000). The directors also take into account the level of the investment holding gains (losses) reserve and the future requirements of the Company when determining the level of dividend payments.

Statement of Cash Flows for the year ended 31 March 2013

	2013	2012
	£000	£000
Net cash outflow from operating activities	(1,098)	(111)
Cash flows from investing activities		
Cash maturing from (placed on) fixed term deposit	3,500	(5,000)
Purchase of financial assets at fair value through profit or loss	(6,097)	(3,000)
Proceeds from sale of financial assets at fair value through profit or loss	3,801	17,024
Net cash from investing activities	1,204	9,024
Cash flows from (used in) financing activities		
Issue of ordinary shares	5,668	2,897
Costs of ordinary share issues	(349)	(178)
Purchase of own ordinary shares	(569)	(490)
Share premium reduction costs	(1)	-
Dividends paid	(1,558)	(6,884)
Net cash from (used in) financing activities	3,191	(4,655)
Net increase in cash and cash equivalents	3,297	4,258
Cash and cash equivalents at the beginning of the year	7,372	3,114
Cash and cash equivalents at the end of the year	10,669	7,372

Reconciliation of Profit before Taxation to Net Cash Outflow from Operating Activities

	2013 £000	2012 £000
Profit before taxation	1,123	1,064
Decrease (increase) in trade and other receivables	246	(59)
(Decrease) increase in trade and other payables	(1,517)	1,239
Profit on disposal of investments in the year	(699)	(2,178)
Profit on investments held at fair value	(233)	(166)
Capitalised interest	(18)	(11)
Net cash outflow from operating activities	(1,098)	(111)

Notes

1. Basis of Accounting

This announcement of the annual results of the Company for the year ended 31 March 2013 has been prepared using accounting policies consistent with those adopted in the full audited Financial Statements which have been prepared on a going concern basis and in accordance with 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.

The Financial Statements have been prepared under the historical cost convention as modified by the measurement of investments at fair value through profit or loss.

The accounts have been prepared in compliance with the recommendations 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) to the extent that they do not conflict with IFRSs as adopted by the European Union.

Segmental reporting has been determined by the directors based upon the reports reviewed by the Board. The directors are of the opinion that the Company has engaged in a single operating segment - investing in equity and debt securities within the United Kingdom - and therefore no reportable segmental analysis is provided.

2. Income

	2013 £000	2012 £000
Dividends from unquoted companies	20	353
Dividends from quoted companies	87	69
	107	422
Interest on loans to unquoted companies	1,017	506
Fixed interest Government securities	58	155
	1,182	1,083
Income from investments held at fair value through profit or loss	1,182	1,083
Interest on deposits	141	153
	1,323	1,236

3. Taxation

	Revenue £000	2013 Capital £000	Total £000	Revenue £000	2012 Capital £000	Total £000
Profit before taxation	794	329	1,123	739	325	1,064
Profit before taxation multiplied by standard small company rate of corporation tax in the UK of 20%	159	66	225	148	65	213
Effect of:						
UK dividends received	(21)	-	(21)	(84)	-	(84)
Non taxable profits on investments	-	(187)	(187)	-	(469)	(469)
Excess management expenses	-	(17)	(17)	-	340	340
Tax charge (credit)	138	(138)	-	64	(64)	-

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

Deferred tax assets of £617,507 (2012: £634,307) calculated at 20 per cent in respect of unrelieved management expenses of £3,087,537 as at 31 March 2013 (31 March 2012: £3,171,537) have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available 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 Part 6 of the Income Tax Act 2007, the Company has not provided for deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

4. Dividends

Amounts recognised as distributions to equity holders in the year to 31 March:

	2013			2012		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final dividend for the year ended 31 March 2012 of 3.0p per ordinary share (2012: 3.0p per ordinary share)	1,176	-	1,176	1,072	-	1,072
Special dividend of 18.0p per ordinary share paid on 22 August 2011	-	-	-	2,064	4,365	6,429
Interim dividend of 2.0p per ordinary share (2012: 2.0p per ordinary share)	783	-	783	736	-	736
	1,959	-	1,959	3,872	4,365	8,237
Shares issued under the DRIS			(401)			(1,353)
Dividends paid in the Statement of Cash Flows			1,558			6,884

The final dividend of 3.0 pence per ordinary share in respect of the year to 31 March 2012 was paid on 17 August 2012 to Shareholders on the register at 13 July 2012.

The interim dividend of 2.0 pence per ordinary share was paid on 14 January 2013 to Shareholders on the register at 14 December 2012.

A final dividend of 3.5 pence per ordinary share in respect of the year to 31 March 2013 has been proposed, and a special dividend of 1.0 pence per ordinary share, amounting to £2.2 million, has been declared by the Board. These dividends have not been recognised in the year ended 31 March 2013 as the obligation did not exist at the Balance Sheet date.

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

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to equity Shareholders of £1,123,000 (2012: £1,064,000) and 40,389,708 (2012: 36,441,889) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The basic and diluted revenue return per ordinary share is based on the revenue profit for the year attributable to equity Shareholders after tax of £656,000 (2012: £675,000) and 40,389,708 (2012: 36,441,889) ordinary shares being the weighted average number of ordinary shares in issue during the year.

The basic and diluted capital return per ordinary share is based on the capital profit for the year after tax attributable to equity Shareholders of £467,000 (2012: £389,000) and 40,389,708 (2012: 36,441,889) ordinary shares being the weighted average number of ordinary shares in issue during the year.

During the year the Company issued 6,212,225 new ordinary shares. The Company also repurchased 855,173 of its own ordinary shares, which are held in treasury.

Treasury shares have been excluded in calculating the weighted average number of ordinary shares during the year. The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted earnings per ordinary share are the same.

After the year end the Company issued 6,400,143 new ordinary shares. If these ordinary shares had been issued on 31 March 2013 the weighted average number of ordinary shares in issue during the year would have been 40,407,171 and there would have been no change in the basic and diluted earnings per ordinary share figures shown at the foot of the Statement of Comprehensive Income.

6. Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted Net Asset Value per ordinary share is calculated on attributable assets of £42,089,000 (2012: £37,894,000) and 43,390,772 (2012: 38,033,720) ordinary shares with voting rights in issue at the year end, excluding treasury shares.

The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted Net Asset Values per ordinary share are the same.

7. Total Return per Ordinary Share

The Total Return per ordinary share is calculated on cumulative dividends paid of 84.2 pence per ordinary share (2012: 79.2 pence per ordinary share) plus the Net Asset Value as calculated in note 6.

8. Related Party Transactions

The Company has not entered into any related party transactions that have had a material impact on its financial position or performance in the year to 31 March 2013. Full details of related party transactions are shown in note 17 to the Annual Report and Accounts which can be obtained as described in note 11.

9. Events after the Balance Sheet Date

On 22 May 2013 the Company completed an investment of £0.2 million into AB Dynamics plc Limited, a business that designs, manufactures and supplies vehicle testing technology. On 3 April 2013 the Company invested a further £0.02 million into GO Outdoors Limited.

The £1.3 million of non-qualifying loans to Seven Technologies Holdings Limited have been repaid as part of the funding package for the proposed acquisition of Datong plc.

Subsequent to the year end, the Company allotted ordinary shares under the joint Offer with British Smaller Companies VCT2 plc.

On 18 April 2013 Cambridge Cognition Limited, now Cambridge Cognition Holdings plc, successfully listed on AIM raising £5.0 million.

10. Financial Information

The financial information set out here for the year ended 31 March 2013 does not constitute full statutory financial statements as defined in section 435 of the Companies Act 2006 but has been extracted from the Company's financial statements for that period. Statutory accounts for the year ended 31 March 2013 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 19 July 2013. Those accounts were reported upon without qualification by the independent auditor and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

11. Annual Report and Accounts

Copies of the Annual Report and Accounts for the year ended 31 March 2013 will shortly be submitted to the National Storage Mechanism and will be available to the public for viewing online at www.hemscott.com/msn/do. They can also shortly be viewed on the Fund Manager's website at www.yfmep.com. Hard copies of the Annual Report and Accounts for the year ended 31 March 2013 will be distributed by post to Shareholders and will be available thereafter to members of the public from the Company's registered office.

12. Directors

The directors of the Company are: Ms H Sinclair, Mr P S Cammerman and Mr C W E R Buchan.

13. Annual General Meeting

The Annual General Meeting of the Company will be held at 33 St James Square, London, SW1Y 4JS, on 19 July 2013 at 12.00 noon.

14. Final Dividend for the year ended 31 March 2013 and Special Dividend

Further to the announcement of its final results for the year ended 31 March 2013, the Company confirms that, subject to its approval by Shareholders at the forthcoming Annual General Meeting to be held on 19 July 2013, the final dividend of 3.5 pence per ordinary share ("Final Dividend") will be paid on 13 August 2013 to those Shareholders on the Company's register at the close of business on 12 July 2013. In addition, following the disposal of Fishawack Limited and Tikit Group plc, the Board is declaring a special dividend of 1.0 pence per ordinary share ("Special Dividend") which will be paid at the same time as the Final Dividend. The ex-dividend date for both the Final and Special Dividends will be 10 July 2013.

15. Dividend re-investment scheme ('DRIS')

The Company operates a dividend reinvestment scheme ("DRIS"). The latest date for receipt of DRIS elections so as to participate in the DRIS in respect of the Final and Special Dividends is the close of business on 30 July 2013.

For further information, please contact:

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