

# **BRITISH SMALLER COMPANIES VCT PLC ANNOUNCEMENTS**

## **ANNUAL FINANCIAL REPORT ANNOUNCEMENT FOR THE YEAR TO 31 MARCH 2010, PORTFOLIO ANNOUNCEMENT AND ALLOTMENT OF SHARES**

British Smaller Companies VCT plc ("the Company") today announces its audited results for the year to 31 March 2010.

### **CHAIRMAN'S STATEMENT**

I am pleased to present to Shareholders the Annual Report of the Company for the year ended 31 March 2010.

Your Company recorded a good performance with an overall increase in Net Asset Value to 94.4 pence per share from 85.7 pence per share at 31 March 2009. Total return (Net Asset Value plus cumulative dividends) rose to 144.4 pence per share from 130.7 pence per share at 31 March 2009. This represents an increase of 10.5% over the twelve month period to 31 March 2010 which compares to growth in the FTSE SmallCap® Index of 64.3% and the FTSE AIM All-Share® Index of 70.4% over the same interval.

However it should be noted that the quoted markets have had a prolonged period of turmoil, with some very large swings in indices over the period. If the two-year period from 31 March 2008 is considered the Company's total return has increased by 1.6%, whereas the FTSE AIM All-Share® Index and the FTSE SmallCap® Index have dropped by 26.7% and 5.5% respectively.

Growth was achieved despite the challenges arising from the difficult economic environment prevailing in the UK and Europe. Notwithstanding the continuing uncertainty, there has been an upturn in performance for some businesses, with quoted multiples improving and your Fund Manager reporting an increase in new investment activity.

Dividends paid in the year amounted to 5.0 pence per share (including a 2.0 pence interim dividend) compared to 5.0 pence per share to March 2009. Your Board is recommending that the level of dividends be maintained, and proposes a final dividend of 3.0 pence per share in respect of the year to March 2010. If approved, this dividend will be paid on 28 September 2010 to Shareholders on the register at 3 September 2010. The final dividend has not been recognised in the accounts under IFRS as the contractual obligation did not exist at the balance sheet date.

In addition a special dividend of 1.25 pence per share is to be paid to Shareholders on the register at 3 September 2010 following the profit generated from the sale of the Company's shares in Sheet Piling (UK) Limited. As this is a Special Dividend the dividend re-investment scheme is being dis-applied to this dividend payment.

### **Investment Portfolio**

During the year the Company disposed of investments generating proceeds of £1.49 million, the most significant being in Sheet Piling (UK) Limited which generated proceeds of £1.29 million. Since the Company's original investment in 2001, Sheet Piling had grown to become one of the UK market leaders in the driven steel piling sector. The sale of the company's shares back to management results in an uplift over March 2009 value of £0.54 million (1.8 pence per share) and a total return over the life of the investment equivalent to 3.7x the original investment cost of £0.50 million.

This year has also seen further progress made by a number of portfolio companies. A follow-on investment of £0.12 million was made into Fishawack in December 2009 as part of a £0.60 million funding round to support the acquisition of its US partner. Five new investments totalling £4.60 million have also been made since December. These include a £1.00 million investment into the £3.5 million buyout of Deep-Secure Limited which provides advanced IT security solutions for defence and governmental bodies around the world and a £0.60 million investment in the management buyout of Lightmain, a manufacturer of playground equipment managed by a team we have known for some years.

The Company invested £1.00 million in North Western Investments Limited, backing a successful turnaround manager to acquire underperforming businesses in North West England. An investment of

£1.00 million into 4G Capital Limited was made supporting a proven entrepreneur to acquire companies moving into new areas of web based software. Finally an investment of £1.00 million was made into Adex Bridge Investments Limited to back a highly experienced manager to invest in underperforming and turnaround situations particularly in the Midlands area.

A strong unrealised gain was also seen from the portfolio of £3.83 million (2009: a loss of £4.16 million), which comprises a gain of £3.24 million derived from unquoted investments and a gain of £0.59 million from quoted investments. The biggest single increase by some margin was from Go Outdoors (£3.32 million) where significant progress has been made in rolling out new stores with historic stores contributing to strong profit growth.

The portfolio also generated income during the year of £0.47 million (2009: £0.38 million) in the form of interest and dividend payments, resulting in a total portfolio return for the year before administrative fees of £4.79 million (2009: loss of £3.64 million).

### **Financial Results**

The result for the financial year ended 31 March 2010 was a pre-tax profit of £4.2 million which comprised profits in respect of capital and revenue of £3.6 million and £0.6 million respectively, as compared to pre-tax loss of £3.27 million in 2009 (which comprised a capital loss of £3.94 million and a revenue profit of £0.68 million).

The pre-tax profit for the year has been impacted by the apparent increase in administrative expenses from £0.80 million to £0.90 million. However the 2009 figures benefited from a one-off VAT recovery of £0.27 million. Excluding this underlying costs were £1.07 million in 2009 which compares with £0.90 million to 2010.

The movement in Net Asset Value in the year has been:

	Pence/ share
31 March 2009	85.7
Dividends paid in year	(5.0)
Net increase in value	13.7
<u>31 March 2010</u>	<u>94.4</u>

Cash and gilt investments at the end of the year amounted to £11.56 million (representing 39.9% of Net Asset Value). A further £1.94 million was received after the year end in respect of the successful fundraising Offers noted below. Your Board notes the recent increase in the rate of investment but nonetheless considers that in the short term this is sufficient to take advantage of selective new investment opportunities and support the current portfolio with a view to maximising value.

### **Shareholder Communications and Fundraising**

Shareholders will be aware that, on 4 March 2010, your Board published proposals offering existing investors the opportunity to subscribe for up to 2,050,000 million new Ordinary shares in the Company at an offer price of 97.25 pence per share. These proposals were by way of two Offers closing on 5 April 2010 and 30 April 2010 respectively. I am delighted to report that the Offers were fully subscribed and raised a total of £1.94 million before expenses and £1.83 million after expenses.

Your Board continues to run Shareholder workshops where investors are invited to meet members of the Board, representatives from YFM Private Equity Limited, the Company's Fund Manager, and the CEOs of one or more of our investee companies. We were delighted to welcome over 100 Shareholders to the most recent workshop held in February 2010 at the Natural History Museum. Your Board remains committed to these events which we believe are useful in increasing the knowledge of the Company's activities for Shareholders.

The Board also remains committed to the objective of achieving a consistent dividend stream. This policy has been continued with your Board proposing that a final dividend of 3.0 pence per share will be paid on 28 September 2010 to Shareholders on the register as at 3 September 2010. A special dividend of 1.25 pence per share in relation to the disposal of Sheet Piling will be paid to Shareholders on the same date.

The Company purchased a total of 331,882 shares during the year at an average price of 73.6 pence per share (2009: 298,153 at an average price of 89.0 pence per share). The existing buy-back authority which currently expires on the 21 September 2010 is proposed to be extended until the date of the 2011 Annual General Meeting or fifteen months, whichever is the earlier. A resolution to this effect will be proposed at the Company's AGM on 21 September 2010.

Furthermore the Company issued 244,184 shares at an average price of 81.0 pence per share pursuant to its dividend reinvestment scheme.

The Annual General Meeting of the Company will be held at 11:30 am on 21 September 2010 at 33 St James Square, London, SW1Y 4JS.

#### **Other matters**

Your Board continues to monitor regulatory developments, in particular the proposed EU regulation in respect of the management of Alternative Investment Funds. These proposals remain in draft form but are in an advanced stage of finalisation at EU level. Your Company continues to support the activities of the Association of Investment Companies (AIC) in its consideration and review of these proposals.

As reported last year the Board composition has been reviewed in relation to new requirements of the Listing Rules (effective from September 2010) which restricts the number of Directors who may sit on more than one Board managed by the same Fund Manager. In the light of these changes Richard Last and Robert Pettigrew will be resigning from the Board at the AGM on 21 September 2010. I would like to record my thanks to them for their very significant contribution over many years. Further changes to the Board will be announced in due course.

In September 2009 The International Private Equity and Venture Capital Valuation Board issued revised guidelines on the valuation of unquoted investments in order to promote consistency with established and emerging International Financial Reporting Standards. These have been adopted by the Company in the current year and the Board has reviewed the methodologies applied in reaching appropriate valuations. Determining the value of an unquoted company requires information on earning multiples for comparable quoted companies and sectors, suitably adjusted for differences between the comparator company and the company being valued. Some other investments are valued at the price of recent investment, reviewed for impairment. Quoted investments continue to be valued at bid price.

#### **Outlook**

The portfolio has endured challenging economic conditions during the year with many actions being taken to improve efficiency and enhance sales propositions. Moreover, the strong individual performance of a small number of investments has resulted in another good overall return. Some of our investee companies are focused on acquisitions and the Company will continue to support value growth opportunities.

In the light of the outcome of the General Election of 6 May there is still uncertainty regarding economic growth and the speed with which the United Kingdom will fully emerge from recession. Notwithstanding this, the Board believes that, with an investment strategy focused on medium to longer term capital growth, that the upcoming period should present a number of good investment opportunities, both for the existing portfolio businesses and for new investments. An increase in the volume and quality of new investment opportunities under consideration over recent months also supports this view.

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

Helen Sinclair  
Chairman  
24 June 2010

#### **PORTFOLIO ANNOUNCEMENT**

Further to the announcement that was made on 1 March 2010 regarding a number of indicative proposals that had been received by a portfolio company to purchase part of its share capital the Directors confirm that whilst a number of indicative proposals were considered none proceeded to completion.

## FUND MANAGER'S REVIEW

Name of Company	Date of Initial Investment	Location	Industry Sector	Original Cost	Realised proceeds to date *	Investment Valuation at 31 March 2010	Realised and Unrealised to Date
				£000	£000	£000	£000
<b>Current Investments:</b>							
<b>GO Outdoors Limited</b>	May-98	Sheffield	Consumer Products	556	460	4,835	5,295
<b>Connaught plc</b>	Nov-98	Sidmouth	Support Services	460	943	786	1,729
<b>Waterfall Services Limited</b>	Feb-07	Warrington	Support Services	1,000	-	1,617	1,617
<b>Deep-Secure Ltd</b>	Dec-09	Reading	Software	1,000	-	1,000	1,000
<b>Adex Bridge Investments Limited</b>	Mar-10	Midlands	Turnaround	1,000	-	1,000	1,000
<b>4G Capital Limited</b>	Mar-10	North-West	Software	1,000	-	1,000	1,000
<b>North Western Investments Limited</b>	Feb-10	North-West	Turnaround	1,000	-	1,000	1,000
<b>Fishawack Limited</b>	Jan-08	Knutsford	Communications	618	-	709	709
<b>Hargreaves Services plc</b>	Dec-07	Durham	Industrial	469	-	614	614
<b>Lightmain Company Limited</b>	Mar-10	Rotherham	Manufacturing	600	-	600	600
<b>Pressure Technologies plc</b>	Jun-07	Sheffield	Industrial	425	-	579	579
<b>Mattioli Woods plc</b>	Nov-05	Leicester	Support Services	326	-	555	555
<b>RMS Group Holdings Limited</b>	Jul-07	Goole	Industrial	1,050	60	383	443
<b>Harvey Jones Holdings Limited</b>	May-07	London	Manufacture	777	-	417	417
<b>Primal Pictures Limited</b>	Mar-01	London	Healthcare	500	62	345	407
<b>K3 Business Technology Group plc</b>	Apr-08	Colne	Software	402	-	378	378
<b>Straight plc</b>	Feb-04	Leeds	Industrial	341	64	286	350
<b>Payzone plc</b>	Jun-02	Dublin	Consumer Products	318	311	-	311
<b>Denison Mayes Group Limited</b>	Aug-98	Leeds	Industrial	700	275	25	300
<b>Tikit Group plc</b>	Jun-01	London	Software	226	-	290	290
<b>Elfin Home Care Limited</b>	Dec-07	Oldham	Healthcare	769	-	211	211
<b>Freshroast Coffee Co. Limited</b>	Jul-96	Elland	Consumer Products	160	166	30	196
<b>Patsystems plc</b>	Oct-07	London	Software	222	-	185	185
<b>Brulines plc</b>	Oct-06	Stockton-on-Tees	Software	163	-	165	165
<b>Darwin Rhodes Group Limited</b>	Apr-08	London	Recruitment	444	-	105	105
<b>Harris Hill Holdings Limited</b>	Jun-07	Kingston-upon-Thames	Recruitment	600	-	100	100
<b>Belgravium Technologies plc</b>	Oct-05	Bradford	Software	200	-	41	41
<b>Hexagon Human Capital plc</b>	Feb-07	London	Support Services	200	-	-	-
<b>Cambridge Cognition Limited</b>	May-02	Cambridge	Software	325	-	-	-
				<b>15,851</b>	<b>2,341</b>	<b>17,256</b>	<b>19,597</b>
Full realisations since March 2002				10,132	14,956	-	14,956
Full realisations prior to March 2002				6,394	3,246	-	3,246
<b>Total realised and unrealised to date</b>				<b>32,377</b>	<b>20,543</b>	<b>17,256</b>	<b>37,799</b>

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

In spite of difficult market conditions, this year has seen strong progress made by several portfolio businesses and realisations at values in excess of the carrying value.

GO Outdoors has continued its store roll out programme, now having twenty-three stores across the UK and capitalising on weak property markets to secure good lease terms on new facilities. Other progress includes growth in both the education and care home divisions of Waterfall Services and a repositioning of Primal Pictures as a provider of education materials rather than a reference source.

A further investment was made into Fishawack to support the acquisition of its US partner as part of the strategy to build a diversified international business. The new investment into Deep-Secure enabled us to back a strong team who we have worked with before in a sector which should now see significant growth. Lightmain has a stable profit stream, with growth plans underpinned by orders from a charitable trust. The Company also made three other investments (Adex Bridge Investments, 4G Capital and North Western Investments) where the management teams have also been known to the Fund Manager.

The sale of the Company's holding in Sheet Piling during the year enabled the Company to achieve a good profit over cost and carrying value.

Cash and gilt investments at 31 March 2010 were £11.56 million representing 39.9% of net assets. This compares to £16.15 million and 61.2% at 31 March 2009. A further £1.94 million was received after the year end in respect of the successful fundraising Offers providing additional liquidity and the Company remains in a strong cash position to meet anticipated future investment opportunities and pay dividends in the year ahead.

### Investment Activity

During the year investments were made in six companies.

	£000
<i>Follow-on Investments</i>	
Fishawack Limited	<u>118</u>
<i>New Investments</i>	
Deep-Secure Limited	1,000
Adex Bridge Investments Limited	1,000
4G Capital Limited	1,000
North Western Investments	1,000
Lightmain Company Limited	600
Total	<u>4,718</u>

Although it has been difficult to find good opportunities to invest during 2009, there are encouraging signs that this position is improving with Deep-Secure and Fishawack completing in December and the remaining four investments since the New Year.

It is encouraging that there has not been a significant need for further funding into the portfolio during the economic downturn. We will continue to invest into the portfolio where we see good opportunities for value growth, either via the provision of working capital, funding portfolio businesses to make acquisitions or enabling a restructuring of existing stakeholders.

### Realisations

In March 2010, the Company realised its entire holding in Sheet Piling (UK) Limited. This deal generated proceeds to the Company of £1.29 million, an uplift over carrying value at 31 March 2009 of £0.54 million and over original cost of £1.18 million. This equates to an IRR of 20.18% and a cash multiple of 3.7x over the nine year life of this investment.

In December 2009, the Company sold its remaining investment in Images at Work Limited for £0.05 million to a trade buyer prepared to fund essential working capital requirements, crystallising a loss of £0.08 million compared to the carrying value at 31 March 2009.

In March 2010 a £0.50 million payment was made by Primal Pictures Limited from its growing surplus cash balance to partially redeem institutional preference shares and associated redemption premiums, of which the Company received £0.06 million.

### Portfolio Performance

Whilst this year has undoubtedly produced a number of challenges in terms of trading, the portfolio as a whole has generally proved resilient. There is limited financial gearing across the portfolio businesses and in the main businesses are well funded going into the year ahead. We have seen some progress through increases in earnings from a number of investments in spite of the global recession. In a number of cases there has been pressure on profitability which has currently reduced valuations. However should these investments continue to be resilient profitability levels could well recover in line with economic conditions.

There has been an overall increase in the value of the quoted and unquoted portfolio of £3.83 million and adding the realised gains of £0.49 million this is equivalent to 44.5% of the opening value of the opening portfolio value at 31 March 2009.

This valuation gain is split between the quoted and unquoted portfolio as follows:

	£000	%
<i>Unquoted</i>	3,242	59.8
<i>Quoted</i>	587	18.2

By far the biggest valuation movement in the year was due to GO Outdoors, where growth of £3.32 million was experienced. Waterfall Services Limited also saw value growth of £0.35 million. However

these gains were partially offset by a value fall of £0.61 million on Ellfin Home Care Limited where actions are being taken to reverse the underperformance versus original plans. The quoted portfolio benefited from an improvement in market confidence with growth of £0.25 million from Hargreaves Services plc, £0.20 million from K3 Business Technology Group plc and £0.16 million from Straight plc only partially offset by a drop of £0.18 million from Connaught plc.

In accordance with IFRS 7 a sensitivity analysis has been undertaken on the assumptions used to value investments in unquoted companies. This indicated that a 10% decrease in the discounts applied would have increased the net assets attributable to the Company's Shareholders and the total profit for the year by £1,110,000. An equal change in the opposite direction would have decreased net assets attributable to the Company's Shareholders and the total profit for the year by £1,110,000.

### **Summary and Outlook**

The year under review has seen challenging market conditions for the entire portfolio. We have been actively supporting the investee companies through these challenges and are pleased to still show a strong level of value growth and profit on disposals during the year.

The Company's cash reserves remain strong and we are optimistic that the coming year will see improving market conditions for the portfolio as well as generating some good opportunities for new investment. The Company remains well placed to meet the upcoming investment needs and maximise opportunities which arise.

David Hall  
YFM Private Equity Limited  
24 June 2010

### **PRINCIPAL RISKS, RISK MANAGEMENT AND REGULATORY ENVIRONMENT**

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

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

Loss of approval as a Venture Capital Trust - The Company must comply with Chapter 3 part 6 of the Income Tax Act 2007 which allows it to be exempted from capital gains tax on investment gains. Any breach of these rules may lead to the Company losing its approval as a VCT, qualifying Shareholders who have not held their shares for the designated holding period having to repay the income tax relief they obtained and future dividends paid by the Company becoming subject to tax. The Company would also lose its exemption from corporation tax on capital gains. As such one of the key performance indicators monitored by the Company is the compliance with legislative tests. See below for more detail.

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

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

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

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

Market Risk – Lack of liquidity in both the venture capital and public markets. Investment in AiM-traded and unquoted companies, by their nature, involve a higher degree of risk than investment in companies trading on the main market. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller

number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

Liquidity Risk – The Company’s investments may be difficult to realise. The fact that a share is traded on AiM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable.

The Board seeks to mitigate the internal risks by setting policy, regular review of performance and monitoring progress and compliance. The key performance indicators measure the Company’s performance and its compliance with legislative tests. In the mitigation and management of these risks, the Board rigorously applies the principles detailed in *Financial Reporting Council - Revised Internal Control: Guidance for Directors on the Combined Code*.

## **RESPONSIBILITY STATEMENTS OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT**

The Annual Report and Accounts contains the following statements regarding responsibility for the management 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 business review 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 a description of the principal risks and uncertainties that they face.

Approved by the Board on 24 June 2010 and signed on its behalf by:

Helen Sinclair  
Chairman

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010			2009		
		Revenue	Capital	Total	Revenue	Capital	Total
		£000	£000	£000	£000	£000	£000
Gain on disposal of investments		-	357	357	-	110	110
Gains (losses) on investments held at fair value		-	3,606	3,606	-	(3,748)	(3,748)
Income	2	1,129	-	1,129	1,173	-	1,173
Administrative expenses:							
Fund management fee		(136)	(407)	(543)	(164)	(494)	(658)
VAT recovery		-	-	-	83	189	272
Other expenses		(347)	-	(347)	(415)	-	(415)
		(483)	(407)	(890)	(496)	(305)	(801)
<b>Profit (loss) before taxation</b>		<b>646</b>	<b>3,556</b>	<b>4,202</b>	677	(3,943)	(3,266)
Taxation	3	(100)	100	-	(121)	121	-
<b>Profit (loss) for the year attributable to equity Shareholders</b>		<b>546</b>	<b>3,656</b>	<b>4,202</b>	556	(3,822)	(3,266)
<b>Total Comprehensive Income for the year attributable to equity Shareholders</b>		<b>546</b>	<b>3,656</b>	<b>4,202</b>	556	(3,822)	(3,266)
<b>Basic and diluted earnings (loss) per share</b>	5	<b>1.77p</b>	<b>11.88p</b>	<b>13.65p</b>	1.81p	(12.43)p	(10.62)p



## BALANCE SHEET AT 31 MARCH 2010

		2010	2009
	Notes	£000	£000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments		17,256	9,706
Fixed income government securities		9,740	12,455
Financial assets at fair value through profit or loss		26,996	22,161
<b>Current assets</b>			
Trade and other receivables		319	672
Fundraising amounts not yet received		1,736	-
Cash and cash equivalents		1,820	3,697
		3,875	4,369
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		(237)	(130)
Fundraising accrual (net)	9	(1,626)	-
<b>Net current assets</b>		2,012	4,239
<b>Net assets</b>		29,008	26,400
<b>Shareholders' equity</b>			
Share capital		3,212	3,187
Share premium account		15,398	15,236
Capital redemption reserve		221	221
Treasury share reserve		(1,175)	(931)
Capital reserve		93	-
Valuation gains (losses)		1,558	(1,389)
Special reserve		2,408	2,408
Retained earnings		7,293	7,668
<b>Total Shareholders' equity</b>		29,008	26,400
<b>Basic and diluted net asset value per Ordinary share</b>	6	94.4p	85.7p

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Treasury share Reserve £000	Capital reserve £000	Investment holding gains and (losses) £000	Special reserve £000	Retained earnings £000	Total equity £000
<b>Balance at 31 March 2008</b>	<b>2,642</b>	<b>10,502</b>	<b>221</b>	<b>(666)</b>	<b>847</b>	<b>2,543</b>	<b>2,408</b>	<b>7,701</b>	<b>26,198</b>
<i>Revenue return for the year</i>	-	-	-	-	-	-	-	556	556
<i>Capital expenses</i>	-	-	-	-	(184)	-	-	-	(184)
<i>Loss on investments held at fair value</i>	-	-	-	-	-	(3,748)	-	-	(3,748)
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	184	(184)	-	-	-
<i>Gain on disposal of investments in the year</i>	-	-	-	-	110	-	-	-	110
Total comprehensive income for the year	-	-	-	-	110	(3,932)	-	556	(3,266)
Dividends	-	-	-	-	(957)	-	-	(589)	(1,546)
Purchase of own shares	-	-	-	(265)	-	-	-	-	(265)
Issue of Ordinary share capital	538	4,979	-	-	-	-	-	-	5,517
Issue of share capital on DRIS*	7	53	-	-	-	-	-	-	60
Issue costs of Ordinary shares	-	(298)	-	-	-	-	-	-	(298)
<b>Balance at 31 March 2009</b>	<b>3,187</b>	<b>15,236</b>	<b>221</b>	<b>(931)</b>	<b>-</b>	<b>(1,389)</b>	<b>2,408</b>	<b>7,668</b>	<b>26,400</b>
<i>Revenue return for the year</i>	-	-	-	-	-	-	-	546	546
<i>Capital expenses</i>	-	-	-	-	(307)	-	-	-	(307)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	3,606	-	-	3,606
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	659	(659)	-	-	-
<i>Gain on disposal of investments in the year</i>	-	-	-	-	357	-	-	-	357
Total comprehensive income for the year	-	-	-	-	709	2,947	-	546	4,202
Dividends	-	-	-	-	(616)	-	-	(921)	(1,537)
Purchase of own shares	-	-	-	(244)	-	-	-	-	(244)
Issue of share capital on DRIS*	25	162	-	-	-	-	-	-	187
<b>Balance at 31 March 2010</b>	<b>3,212</b>	<b>15,398</b>	<b>221</b>	<b>(1,175)</b>	<b>93</b>	<b>1,558</b>	<b>2,408</b>	<b>7,293</b>	<b>29,008</b>

\* DRIS being the dividend reinvestment scheme.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	2010	2009
Notes	£000	£000
<b>Net cash inflow from operating activities</b>	<b>654</b>	166
<b>Cash flows used in investing activities</b>		
Purchase of financial assets at fair value through profit or loss	(6,389)	(6,714)
Proceeds from sale of financial assets at fair value through profit or loss	5,517	6,148
<b>Net cash used in investing activities</b>	<b>(872)</b>	(566)
<b>Cash flows from financing activities</b>		
Issue of Ordinary shares	-	5,436
Cost of Ordinary share issue	(76)	(244)
Purchase of own Ordinary shares	(244)	(339)
Dividends paid	(1,339)	(1,486)
<b>Net cash (used in) from financing activities</b>	<b>(1,659)</b>	3,367
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,877)</b>	2,967
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,697</b>	730
<b>Cash and cash equivalents at the end of the year</b>	<b>1,820</b>	3,697

## RECONCILIATION OF PROFIT (LOSS) BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010	2009
	£000	£000
Profit (loss) before tax	4,202	(3,266)
Increase in prepayments and accrued income	(1,382)	(276)
Increase in accruals and other creditors	1,797	70
Profit on realisation of investments in the year	(357)	(110)
Revaluation of investments in the year	(3,606)	3,748
<b>Net cash inflow from operating activities</b>	<b>654</b>	166

## NOTES

### 1. Basis of Accounting

This announcement of the annual results of the Company for the year ended 31 March 2010 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 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 IFRSs.

The financial statements have been prepared under the historical cost convention as modified by the measurement of investments and quoted Government Securities at fair value through profit or loss.

In addition 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 IFRSs, the financial statements have been prepared in compliance with the recommendations of the SORP.

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

	<b>2010</b>	2009
	<b>£000</b>	£000
Income from investments:		
Dividends from unquoted companies	<b>78</b>	24
Dividends from AiM quoted companies	<b>94</b>	77
	<b>172</b>	101
Interest on loans to unquoted companies	<b>295</b>	274
Fixed interest Government securities	<b>609</b>	748
Income from investments held at fair value through profit or loss	<b>1,076</b>	1,123
Interest on VAT recovered in 2009	<b>16</b>	-
Interest on deposits	<b>37</b>	50
	<b>1,129</b>	1,173

## 3. Taxation

	2010			2009		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Profit (loss) before taxation	<b>646</b>	<b>3,556</b>	<b>4,202</b>	677	(3,943)	(3,266)
Profit (loss) before taxation multiplied by standard small company rate of corporation tax in UK of 21% (2009: 21%)	<b>136</b>	<b>746</b>	<b>882</b>	142	(828)	(686)
<b>Effect of:</b>						
UK dividends received	<b>(36)</b>	-	<b>(36)</b>	(21)	-	(21)
Non taxable (profits) losses on investments	-	<b>(832)</b>	<b>(832)</b>	-	764	764
Excess management expenses	-	<b>(14)</b>	<b>(14)</b>	-	(57)	(57)
Tax charge (credit)	<b>100</b>	<b>(100)</b>	-	121	(121)	-

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

Deductible temporary differences for which no deferred tax asset has been recognised amount to £270,000 calculated at 21% (2009: £284,000 calculated at 21%) in respect of unrelieved management expenses. These have not been recognised as management do not currently believe that it is probable that sufficient taxable profits will be available against which the assets can be recovered.

Due to the Company's status as a venture capital trust, and the continued intention to meet the conditions required to comply with the 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

	2010			2009		
	Revenue	Capital	Total	Revenue	Capital	Total
	£000	£000	£000	£000	£000	£000
Interim dividend for the year ended 31 March 2010 – 2.0p per Ordinary share; paid 7 January 2010 (2009: 2.0p per Ordinary share)	-	<b>616</b>	<b>616</b>	-	615	615
Final dividend for the year ended 31 March 2009 – 3.0p per Ordinary share; paid 13 August 2009 (2008: 3.0p per Ordinary share)	<b>921</b>	-	<b>921</b>	589	342	931
	<b>921</b>	<b>616</b>	<b>1,537</b>	589	957	1,546

The interim dividend of 2.0p per share was declared on 20 November 2009 and paid on 7 January 2010 to Shareholders on the register at 4 December 2009.

A final dividend of 3.0p per share in respect of the year to 31 March 2010, amounting to £983,000, is proposed. This has not been recognised in the year ended 31 March 2010 as the obligation did not exist at the balance sheet date. If approved, this dividend will be paid on 28 September 2010 to Shareholders on the register at 3 September 2010 (the record date) and accordingly the ex-dividend date will be 1 September 2010.

A special dividend of 1.25 p per share is to be paid on 28 September 2010 to Shareholders following the profit generated from the sale of Sheet Piling (UK) Limited in March 2010.

#### 5. Basic and Diluted) Earnings (Loss per Ordinary Share and Movements in Share capital

The basic and diluted earnings (loss) per Ordinary share is based on the profit after tax attributable to equity Shareholders of £4,202,000 (2009: £3,266,000 loss) and 30,774,418 (2009: 30,760,716) shares, being the weighted average number of shares in issue during the year.

The basic and diluted revenue return per Ordinary share is based on the revenue profit for the year attributable to equity Shareholders after tax of £546,000 (2009: £556,000) and 30,774,418 (2009: 30,760,716) shares being the weighted average number of shares in issue during the year.

The basic and diluted capital return per Ordinary share is based on the capital profit for the year after tax attributable to equity Shareholders of £3,656,000 (2009: £3,822,000 loss) and 30,774,418 (2009: 30,760,716) shares being the weighted average number of shares in issue during the year.

During the year the Company issued 244,184 Ordinary shares. The Company also repurchased 331,882 of its own shares, which are held in treasury.

The 1,382,837 treasury shares have been excluded in calculating the weighted average number of Ordinary shares during the year (2009: 1,050,955). The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted (loss) earnings per share are the same.

After the year end the Company issued 2,048,221 shares. If these shares had been issued on 31 March 2010 the weighted average number of shares in issue during the year would have been 30,780,030 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 share is calculated on attributable assets of £29,008,000 (2009: £26,400,000) and 30,732,194 (2009: 30,819,892) shares in issue at the year end, excluding treasury shares.

The treasury shares have been excluded in calculating the number of Ordinary shares in issue at 31 March 2010. The Company has no securities that would have a dilutive effect in either period and hence the basic and diluted net asset values per share are the same.

#### 7. Total Return per Ordinary Share

The Total return per share is calculated on cumulative dividends paid of 50.0 pence per Ordinary share (2009: 45.0 pence per Ordinary share) plus the net asset value as calculated per 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 2010. 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 4 March 2010, your Board published proposals offering existing investors the opportunity to subscribe for up to 2,050,000 million new Ordinary shares in the Company at an offer price of 97.25 pence per share. The Offer in respect of 2009/10 tax year opened and closed by 31 March 2010. As the Offer had closed by the year end yet the fundraising proceeds could not be recognised as cash and cash equivalents until the shares were issued the Company has recognised the monies to be received on issue of Ordinary shares of £1,736,000 within debtors on the balance sheet while the capital to be issued of £1,626,000, being proceeds less associated fundraising costs, is reflected within creditors.

On 1 April 2010 the Company issued 1,784,967 Ordinary shares at a price of 97.25p per share in respect of the tax year 2009/10 Offer. On 6 April 2010 the Company issued a further 263,254 Ordinary shares in respect of the tax year 2010/11, again at a price of 97.25p per share. In aggregate these two issues of shares raised £1.94 million before expenses.

There have been no investments approved by the Board of Directors at 31 March 2010 that have not been reflected in the accounts (2009: one). Since the year end three further investments totalling £482,000 have been approved by the Board (2009: one) and two of these, both follow-on investments, have completed.

#### 10. Financial Information

The financial information set out here for the year ended 31 March 2010 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 2010 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 21 September 2010. Those accounts were reported upon without qualification by the independent auditors and their report was reported on without qualification and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

#### 11. Annual Report and Accounts

A copy of the Annual Report and Accounts for the year ended 31 March 2010 will shortly be available on our website at [www.yfmprivateequity.co.uk](http://www.yfmprivateequity.co.uk). These 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 PS Cammerman, Mr RM Pettigrew and Mr R Last.

#### 13. Annual General Meeting

The Annual General Meeting of the Company will be held at 33 St James Square, London, SW1Y 4JS, on 21 September 2010 at 11.30am.

### **SHARE ALLOTMENT**

British Smaller Companies VCT plc ("the Company") announces that on 22 June 2010 it allotted 77 ordinary shares of 10 pence each ("Ordinary Shares") to shareholders of the Company at a price of 97.25 pence per share.

Following such allotment the Company's issued share capital consists of 32,780,492 Ordinary shares with voting rights ("Voting Capital") and 1,382,837 shares held in Treasury.

The above statement of Voting Capital may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FSA's Disclosure and Transparency Rules.

#### **For further information, please contact:**

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