# BRITISH SMALLER COMPANIES VCT PLC
## UNAUDITED INTERIM RESULTS AND INTERIM MANAGEMENT STATEMENT

## For the 6 months ended 30 September 2009

- Interim dividend maintained at 2.0 pence per share
- Total return recovered to 138.6 pence per share (from 130.7 pence per share at 31 March 2009)
- Prospectus offer to be launched in 2010 to maximise investment opportunities in 2010-2012

British Smaller Companies VCT plc ("the Company") today announces its unaudited interim results for the six months to 30 September 2009.

## CHAIRMAN'S STATEMENT

The first six months of this financial year have been characterised by a recovery in the quoted markets, a continuing decline in the UK economy as a whole and the entrepreneurial boardroom mood changing from one focussed on survival and the immediate short term to a degree of stability and medium term planning. There has been an increase in bank lending from the lows of 2008, but this is selective and on much more restricted terms than at the end of 2007.

This combination of circumstances has impacted the company's portfolio and the market for new investment in different ways. The quoted investment portfolio has seen an increase in its value of 35% over the six month period which reflects the improvements in the quoted market as a whole. As I have previously stated with respect to the unquoted portfolio your Board has adopted a cautious approach to the taking of leverage. As a consequence to date there has not been a need to inject further capital to meet the banking requirements of any of the businesses of the investments. The economic climate remains challenging and it is hoped that any such future requirements will remain at low levels for the company as a whole.

There are of course investments that continue to develop and expand even in such climates. Notably, Go Outdoors and Harvey Jones have been able to continue their expansion plans with Waterfall Services beginning to feel the full year benefits from its acquisition of Taylor Shaw made in 2008.

The market for new investments has been impacted in a number of ways. The activity levels in the unquoted market have generally followed the quoted market with some time lag. However in this instance the lack of debt, shorter term focus of management teams and vendors and the proportionately greater need for equity to fund deals has meant that the nature of the pipeline of opportunities is moving away from buy-out to business expansion by the current owner. Whilst there remains uncertainty over the speed of the recovery and level of available debt funding the expansion of businesses rather than their outright sale may come more to the fore.

Your Board remains confident in the medium and long term position of the Company and consequently we are proposing to maintain the interim dividend at 2.0 pence per share. The dividend will be paid on 7 January 2010 to shareholders on the register at 4 December 2009.

**Interim Management Report**

The focus of activity has been on portfolio management as our investee companies have adjusted their activities to the economic climate. A number of new investment opportunities have been reviewed but for the reasons outlined above have not resulted in new investments being made. This has been in large part as a result of the price expectations of vendors and management teams, in addition in respect of certain sectors there has been increasing uncertainty over demand, and more fragile trading which has made concluding investments more difficult. The rate of new opportunities continues to rise and it is anticipated that this will begin to translate into a further expansion of your Company's investment portfolio.

**Financial Results**

The revenue profit before tax for the period was £0.35 million which compares to £0.41 million (£0.33 million excluding the one off benefit of a VAT recovery) for the same period in 2008. The capital profit before tax for the six months to September 2009 is £2.08 million which compares to a £1.16 million loss for the same period in 2008. The capital movements principally derive from movements in the value of investments as yet unrealised.

The resultant net asset value per share as at 30 September 2009 was 90.6 pence per share (31 March 2009: 85.7 pence per share). The total return (net asset value plus cumulative dividends paid) at 30 September 2009 has recovered to 138.6 pence per share (31 March 2009: 130.7 pence per share). The FTSE All-Share® index has increased by 32.8% since 31 March 2009, which compares to an increase in the underlying net asset value of the Company of 9.6% over the same period. The Company's relative growth rate reflects the proportion of the Company's assets that have been held in gilts and cash.

**Shareholder Relations**

Dividend Re-investment Scheme

Your Company continues to offer a dividend re-investment scheme. In August £0.11 million representing 11.8% of shareholders took the opportunity to re-invest the final dividend.

Share Buy Backs

These are effected through the Company's broker Singer Capital Markets. During the six month period to 30 September 2009, your Company acquired 141,882 shares at a cost of £0.104 million (2008: 298,153 shares at a cost of £0.265 million). The level of share buy backs has reduced and your Board continues to keep the Company's policy under review.

New Fundraising

Your Board believes that 2010-12 may offer a particularly strong flow of good investment opportunities. As a consequence after careful consideration your Board has determined that the Company will seek to raise further funds with a prospectus offer to be launched in 2010.

Investor Workshop

Your Board has been committed to annual investor workshops for a number of years. The next workshop will be held on 2 February 2010 at the Natural History Museum.

**Other Matters**

Your Board continues to monitor regulatory developments, in particular the proposed regulation in respect of alternative Investment Fund Managers. This legislation is being derived by the EU and is currently being drafted for consideration during 2010 to take effect in 2012. This proposal is only in draft form but its implementation could impact the Company largely through an increase in regulatory costs. Your Company continues to support the activities of the Association of Investment Companies (AIC) in its consideration and review of these proposals.

**Outlook**

I am delighted to note that overall the portfolio has performed well over the last six months with some particularly notable strong performances. There are signs of renewed demand for equity finance and your Company is seeking to strengthen its position in order to capitalise on these opportunities as they present themselves.

I would like to thank the investors for their continued support.

Helen Sinclair
20 November 2009

# Statement of Comprehensive Income
## For the 6 months ended 30 September 2009

| | | **Unaudited 6 months ending 30 September 2009** | | | Unaudited 6 months ending 30 September 2008 | | |
|---|---|---|---|---|---|---|---|
| | Notes | **Revenue £000** | **Capital £000** | **Total £000** | Revenue (restated) £000 | Capital (restated) £000 | Total £000 |
| Gain on realisation of investments | | **-** | **8** | **8** | - | 85 | 85 |
| Gains (losses) on investments held at fair value | | **-** | **2,270** | **2,270** | - | (1,161) | (1,161) |
| Income | 2 | **603** | **-** | **603** | 628 | - | 628 |
| Administrative expenses: | | | | | | | |
| Fund Management fee | | **(66)** | **(198)** | **(264)** | (91) | (273) | (364) |
| VAT recovery | | **-** | **-** | **-** | 83 | 189 | 272 |
| Other expenses | | **(187)** | **-** | **(187)** | (206) | - | (206) |
| | | **(253)** | **(198)** | **(451)** | (214) | (84) | (298) |
| **Profit (loss) before taxation** | | **350** | **2,080** | **2,430** | 414 | (1,160) | (746) |
| Taxation | 3 | **(52)** | **52** | **-** | (80) | 80 | - |
| **Profit (loss) for the period attributable to equity shareholders** | | **298** | **2,132** | **2,430** | 334 | (1,080) | (746) |
| **Total comprehensive income for the period attributable to equity shareholders** | | **298** | **2,132** | **2,430** | 334 | (1,080) | (746) |
| **Basic and diluted earnings (loss) per Ordinary Share** | 5 | **0.97p** | **6.93p** | **7.89p** | 1.08p | (3.51)p | (2.42)p |

# BALANCE SHEET
## For the 6 months ended 30 September 2009

| | Notes | **Unaudited 6 months ended 30 September 2009** | Unaudited 6 months ended 30 September 2008 (restated) | Audited Year ended 31 March 2009 |
|---|---|---|---|---|
| | | **£000** | £000 | £000 |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Investments | | **12,143** | 12,688 | 9,706 |
| Fixed income government securities | | **11,758** | 14,061 | 12,455 |
| Financial assets at fair value through profit or loss | | **23,901** | 26,749 | 22,161 |
| **Current assets** | | | | |
| Trade and other receivables | | **400** | 709 | 672 |
| Cash and cash equivalents | | **3,708** | 2,251 | 3,697 |
| | | **4,108** | 2,960 | 4,369 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | **(94)** | (235) | (130) |
| **Net current assets** | | **4,014** | 2,725 | 4,239 |
| **Net assets** | | **27,915** | 29,474 | 26,400 |
| **Shareholders' equity** | | | | |
| Share capital | | **3,201** | 3,180 | 3,187 |
| Share premium account | | **15,331** | 15,183 | 15,236 |
| Capital redemption reserve | | **221** | 221 | 221 |
| Treasury share reserve | | **(1,035)** | (931) | (931) |
| Realised capital reserve | | **(127)** | 756 | - |
| Unrealised capital reserve | | **870** | 1,211 | (1,389) |
| Special reserve | | **2,408** | 2,408 | 2,408 |
| Retained earnings | | **7,046** | 7,446 | 7,668 |
| **Total shareholders' equity** | | **27,915** | 29,474 | 26,400 |
| **Basic and diluted net asset value per Ordinary Share** | 6 | **90.6p** | 95.8p | 85.7p |

The Balance Sheet for the six months ended 30 September 2008 has been restated following the adoption of 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 to show additional reserves, and the reclassification of Government Securities as described in note 1.

# UNAUDITED STATEMENT OF CHANGES IN EQUITY
## For the 6 months ended 30 September 2009

| | Share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Treasury share Reserve £000 | Realised capital reserve £000 | Unrealised capital reserve £000 | Special reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 31 March 2008** | **2,642** | **10,502** | **221** | **(666)** | **847** | **2,543** | **2,408** | **7,701** | **26,198** |
| Revenue return for the period | - | - | - | - | - | - | - | 334 | 334 |
| Capital expenses | - | - | - | - | (5) | - | - | - | (5) |
| Unrealised loss on investments held at fair value | - | - | - | - | - | (1,161) | - | - | (1,161) |
| Realisation of prior year unrealised gains | - | - | - | - | 171 | (171) | - | - | - |
| Realisation of investments in the period | - | - | - | - | 85 | - | - | - | 85 |
| Dividends | - | - | - | - | (342) | - | - | (589) | (931) |
| Purchase of own shares | - | - | - | (265) | | | | - | (265) |
| Issue of Ordinary share capital | 538 | 4,979 | - | - | - | - | - | - | 5,517 |
| Issue costs of Ordinary shares | - | (298) | - | - | - | - | - | - | (298) |
| **At 31 September 2008** | **3,180** | **15,183** | **221** | **(931)** | **756** | **1,211** | **2,408** | **7,446** | **29,474** |
| Revenue return for the period | - | - | - | - | | - | - | 222 | 222 |
| Capital expenses | - | - | - | - | (179) | - | - | - | (179) |
| Unrealised loss on investments held at fair value | - | - | - | - | - | (2,587) | - | - | (2,587) |
| Realisation of prior year unrealised gains | - | - | - | - | 13 | (13) | - | - | - |
| Realisation of investments in the period | - | - | - | - | 25 | - | - | - | 25 |
| Dividends | - | - | - | - | (615) | - | - | - | (615) |
| Issue of share capital on DRIS* | 7 | 53 | - | - | - | - | - | - | 60 |
| **At 31 March 2009** | **3,187** | **15,236** | **221** | **(931)** | **-** | **(1,389)** | **2,408** | **7,668** | **26,400** |
| Revenue return for the period | - | - | - | - | | - | - | 298 | 298 |
| Capital expenses | - | - | - | - | (146) | - | - | - | (146) |
| Unrealised gain on investments held at fair value | - | - | - | - | - | 2,270 | - | - | 2,270 |
| Realisation of prior year unrealised gains | - | - | - | - | 11 | (11) | - | - | - |
| Realisation of investments in the period | - | - | - | - | 8 | - | - | - | 8 |
| Dividends | - | - | - | - | - | - | - | (920) | (920) |
| Purchase of own shares | - | - | - | (104) | - | - | - | - | (104) |
| Issue of share capital on DRIS* | 14 | 95 | - | - | - | - | - | | 109 |
| **At 30 September 2009** | **3,201** | **15,331** | **221** | **(1,035)** | **(127)** | **870** | **2,408** | **7,046** | **27,915** |

* DRIS being the dividend reinvestment scheme

The Unaudited Statement of Changes in Equity for the six months ended 30 September 2008 has been restated following the adoption of 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 to show additional reserves.

## Statement of Cash Flows
## For the 6 months ended 30 September 2009

| | **Unaudited 6 months ended 30 September 2009** | Unaudited 6 months ended 30 September 2008 (restated) | Audited Year ended 31 March 2009 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| **Net cash inflow from operating activities** | **454** | 49 | 166 |
| **Cash flows from (used in) investing activities** | | | |
| Purchase of fixed asset investments | **-** | (6,595) | (6,714) |
| Proceeds from sale of fixed asset investments | **537** | 3,978 | 6,148 |
| **Net cash from (used in) investing activities** | **537** | (2,617) | (566) |
| **Cash flows (used in) from financing activities** | | | |
| Issue of Ordinary shares | **-** | 5,436 | 5,436 |
| Cost of Ordinary share issue | **(65)** | (244) | (244) |
| Purchase of own Ordinary shares | **(104)** | (171) | (339) |
| Dividends paid | **(811)** | (932) | (1,486) |
| **Net cash (used in) from financing activities** | **(980)** | 4,089 | 3,367 |
| **Net increase in cash and cash equivalents** | **11** | 1,521 | 2,967 |
| **Cash and cash equivalents at the beginning of the period** | **3,697** | 730 | 730 |
| **Cash and cash equivalents at the end of the period** | **3,708** | 2,251 | 3,697 |

## Notes to the Financial Statements

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

   The half year statements are unaudited and have not been been reviewed by the auditors pursuant to the Auditing Practices Board (ASB) 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 2009 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2009. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

   The half year statements comply with IAS 34 'Interim financial reporting' and the Disclosure and Transparency Rules of the Financial Services Authority. The accounting policies and methods of computation followed in the half year statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 March 2009, except as noted below.

   The financial statements for the year ended 31 March 2009 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. Where guidance set out in the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009 ("SORP") is consistent with the requirements of IFRS, the financial statements have been prepared in compliance with the recommendations of the SORP.

The following new standards and amendments to standards are mandatory for the first time for the financial year commencing 1 April 2009. Where relevant to the Company the half year statements have been prepared under the revised disclosure requirements.

IAS 1 (revised) “Presentation of Financial Statements”. The Company has elected to present a single performance statement: the Statement of Comprehensive Income.

IFRS 8 “Operating Segments”. The adoption of this standard has had no impact on the segmental information reported by the Company.

Other standards and interpretations which have been issued but are not currently relevant for the Company are IAS 23 (Revised) and IFRICs 13, 15 and 16.

Investments in quoted Government Securities were reclassified from cash equivalents to financial assets at fair value through profit or loss in the accounts for the year ended 31 March 2009. As a consequence the balance sheet for the six months ended 30 September 2008 has been restated.

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 2009. In summary, the principal risks are:

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

Full details of the principal risks can be found in the financial statements for the year ended 31 March 2009 on page 19, a copy of which can be found at www.yfmgroup.co.uk.

2. Income

| | **Unaudited 6 months ended 30 September 2009 £000** | Unaudited 6 months ended 30 September 2008 £000 |
|---|---|---|
| Income from investments: | | |
| Dividends from unquoted companies | **66** | - |
| Dividends from AIM quoted companies | **32** | 34 |
| | **98** | 34 |
| Interest on loans to unquoted companies | **156** | 183 |
| Fixed interest Government securities | **323** | 385 |
| Income from investments held at fair value through profit or loss | **577** | 602 |
| Interest on deposits | **26** | 26 |
| | **603** | 628 |

3. Taxation

| | **Unaudited 6 months ended 30 September 2009** | | | Unaudited 6 months ended 30 September 2008 | | |
|---|---|---|---|---|---|---|
| | **Revenue £000** | **Capital £000** | **Total £000** | Revenue (restated) £000 | Capital (restated) £000 | Total £000 |
| Corporation tax payable at 21% (2008: 21%) | **52** | **(52)** | **-** | 80 | (80) | - |
| Profit (loss) on ordinary activities before taxation | **350** | **2,080** | **2,430** | 414 | (1,160) | (746) |
| Profit (loss) on ordinary activities multiplied by standard small company rate of corporation tax in UK of 21% (2008: 21%) | **73** | **437** | **510** | 87 | (244) | (157) |
| **Effect of:** | | | | | | |
| UK dividends received | **(21)** | - | **(21)** | (7) | - | (7) |
| Non taxable profits on investments | **-** | **(478)** | **(478)** | - | 226 | 226 |
| Excess management expenses | **-** | **(11)** | **(11)** | - | (62) | (62) |
| Tax on profit (loss) on ordinary activities | **52** | **(52)** | **-** | 80 | (80) | - |

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

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

4. Dividends

Amounts recognised as distributions to equity holders in the period:

| | **Unaudited 6 months ended 30 September 2009** | | | Unaudited 6 months ended 30 September 2008 | | | Audited Year ended 31 March 2009 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Revenue £000** | **Capital £000** | **Total £000** | Revenue (restated) £000 | Capital (restated) £000 | Total £000 | Revenue £000 | Capital £000 | Total £000 |
| Interim - 2.0p per Ordinary share; paid 16 November 2007 | - | **-** | - | - | - | - | - | 615 | 615 |
| Final - 3.0p per Ordinary share; paid 8 August 2008 (2007: 3.0p per Ordinary share) | - | **-** | - | 589 | 342 | 931 | - | - | - |
| Final - 3.0p per Ordinary share; paid 13 August 2009 | **920** | **-** | **920** | - | - | - | - | - | - |
| Dividends paid | **920** | **-** | **920** | 589 | 342 | 931 | | 615 | 615 |

An interim dividend of 2.0p per share in respect of the period to 30 September 2009, amounting to £615,000, is proposed. This has not been recognised in the period ended 30 September 2009 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 for the period attributable to equity shareholders of £2,430,000 (30 September 2008: loss of £746,000) and on 30,786,419 shares (30 September 2008: 30,865,000), 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 £298,000 (30 September 2008: profit of £334,000) and on 30,786,419 shares (30 September 2008: 30,865,000), being the weighted average number of shares in issue during the period.

The basic and diluted capital earnings per Ordinary share is based on the capital profit for the period attributable to equity shareholders of £2,132,000 (30 September 2008: loss of £1,080,000) and on 30,786,419 shares (30 September 2008: 30,865,000), being the weighted average number of shares in issue during the period.

During the period the Company allotted 138,413 Ordinary shares in respect of its dividend reinvestment scheme.

The Company has also repurchased 141,882 of its own shares and these shares are held in treasury. The 1,192,837 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2009 (30 September 2008: 1,050,955 treasury shares). The Company has no securities that would have a dilutive effect and hence basic and diluted earnings (loss) per Ordinary share are the same.

6. Net asset value per Ordinary share

The net asset value per Ordinary share is calculated on attributable assets of £27,915,000 and 30,816,423 shares in issue at the period end (30 September 2008: assets of £29,474,000 and 30,752,447 shares, 31 March 2009: assets of £26,400,000 and 30,819,892 shares).

During the period the Company allotted 138,413 Ordinary shares in respect of its dividend reinvestment scheme.

The Company has also repurchased 141,882 of its own shares and these shares are held in treasury. The 1,192,837 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2009 (30 September 2008 and 31 March 2009: 1,050,955 treasury shares were excluded). The Company has no securities that would have a dilutive effect and hence basic and diluted net asset value per Ordinary share are the same.

7. Total return per share is calculated on cumulative dividends paid of 48 pence per Ordinary share (30 September 2008: 43 pence per Ordinary share and 31 March 2009: 45 pence per Ordinary share) plus the net asset value at those dates as calculated per note 6.

8. The directors of the Company are: Mrs H Sinclair, Mr PS Cammerman, Mr RM Pettigrew and Mr R Last.

9. Copies of the interim report will shortly be posted to Shareholders. They can also be obtained from the Company's registered office: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ or from the Fund Manager's website: www.yfmgroup.co.uk.

**For further information please contact:**

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