Registered no: 3134749

British Smaller Companies VCT plc

Interim report

for the period from 1 April 1998 to

30 September 1998

British Smaller Companies VCT plc

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British Smaller Companies VCT plc
Directors and advisors

Directors

Sir Andrew Colin Hugh Smith
Christopher John Brown
Philip Simon Cammerman
Richard Last
Clive William Leach
Robert Lindemann
John Junior Seed

Secretary and registered office

James Ernest Peter-Gervasio LL.B.
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Investment Advisor

Yorkshire Fund Managers Limited
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Registrars

Northern Registrars Limited
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VCT Status Advisor

PricewaterhouseCoopers
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London
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Auditors

PricewaterhouseCoopers
Benson House
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Leeds
LS1 4JP

Quoted Investment Advisor

Carr Sheppards Limited
122 Leadenhall Street
London
EC3V 4SS

Solicitors

Pinsent Curtis
41 Park Square
Leeds
LS1 2NS

Bankers

The Royal Bank of Scotland plc
27 Park Row
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Stockbrokers

Beeson Gregory Limited
The Registry
Royal Mint Court
London
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British Smaller Companies VCT plc

Directors' report for the period from 1 April 1998 to 30 September 1998

The directors present the interim financial statements of British Smaller Companies VCT plc ('the Company') for the period from 1 April 1998 to 30 September 1998.

Principal activity, business review and future developments

The revenue account for the year is set out on page 5.

The Company is an investment company as defined in Section 266 of the Companies Act 1985. The Company operates as a Venture Capital Trust and has been provisionally approved by the Inland Revenue as an authorised venture capital trust under section 842AA of the Income and Corporation Taxes Act 1988. The directors expect that the Company will continue with this activity for the foreseeable future.

The directors consider the financial position at the end of the period to be sound.

Results and dividend

The revenue profit for the period after taxation amounted to £302,000.

The directors recommend the payment of a dividend of 1.75p per share.

Directors and their interests

The directors of the Company at 30 September 1998 and their interests in the share capital of the Company were as follows:

	Number of Ordinary shares
Sir Andrew Hugh Smith	30,000
CJ Brown	15,000
PS Cammerman	15,000
R Last	15,000
CW Leach	145,000
R Lindemann	15,000
JJ Seed	15,000

Share capital

Between 1 April 1998 and 2 June 1998 4,866,345 10p Ordinary shares were subscribed for at £1.05 in connection with a Public Issue for cash as set out in the prospectus dated 13 February 1998 and pursuant to the directors' authority to allot shares.

On 26 June 1998 the Company purchased 6,000 10p Ordinary shares, representing 0.04% of the called up capital on that date, at a price of 93p. These shares have been cancelled. The purchase was made in the market in furtherance of the Board's policy of maintaining liquidity in the Company's shares.

Substantial shareholdings

Yorkshire Enterprise Limited, the ultimate holding company of Yorkshire Fund Managers Limited, which acts as investment advisor and provides administrative and secretarial services to the Company, held 3.3% of the issued share capital at 13 November 1998. The directors are not aware of any other substantial shareholdings representing 3% or more of the Company's issued share capital at the date of this report.

British Smaller Companies VCT plc

Statement of directors' responsibilities

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies ACT 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Messrs Coopers & Lybrand were re-appointed as auditors during the period.

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors to fill the casual vacancy thereby arising. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the Annual General Meeting.

Post Balance Sheet Events

Venture capital investments made following the balance sheet date are set out in note 16 to the financial statements.

By order of the Board

JEP Gervasio
Company Secretary

16 November 1998

British Smaller Companies VCT plc

Statement of total return
Period from 1 April 1998
to 30 September 1998

	Notes	6 months ended 30 September 1998 £'000	6 months ended 30 September 1997 £'000	Year ended 31 March 1998 £'000
Revenue				
Gross revenue	2	530	241	548
Administrative expenses	3	(123)	(79)	(209)
Taxation	4	(105)	(32)	(69)
		302	130	270
Capital				
Realised gains (losses) (net)		64	(10)	25
Unrealised gains (losses) (net)		(179)	38	582
Management fee allocated to capital	3	(97)	(40)	(108)
Tax effect of capital items		27	8	23
		(185)	(4)	522
Total return		117	126	792
Appropriated:				
Revenue				
Dividend payable on Ordinary shares		277	103	247
Revenue reserve		25	27	23
		302	130	270
Capital				
Increase (decrease) on reserves		(185)	(4)	522
Total return per Ordinary share				
Revenue		1.93p	1.71p	3.42p
Capital		(1.18p)	(0.07p)	6.61p
		0.75p	1.64p	10.03p

The accompanying notes on pages 8 to 13 are an integral part of these financial statements.

British Smaller Companies VCT plc

Revenue account

	Notes	6 months ended 30 September 1998 £'000	6 months ended 30 September 1997 £'000	Year ended 31 March 1998 £'000
Gross revenue	2	530	241	548
Administrative expenses	3	(123)	(79)	(209)
Net revenue before taxation		407	162	339
Taxation	4	(105)	(32)	(69)
Net revenue after taxation		302	130	270
Dividends payable on Ordinary shares		(277)	(103)	(247)
Transfer to revenue reserve		25	27	23
Return per Ordinary share	5	1.93p	1.71p	3.42p
Fully diluted return per Ordinary share		1.93p	1.71p	3.36p

Notes

All activity has arisen from continuing operations.

The accompanying notes on pages 8 to 13 are an integral part of these financial statements.

British Smaller Companies VCT plc

Balance sheet
at 30 September 1998

	Notes	30 September 1998	31 March 1998
		£'000	£'000
Fixed assets			
Investment Portfolio	6a	6,074	4,194
Current assets			
Debtors	7	614	426
Short-term Investments	6b	9,304	6,527
Cash and short term deposits		67	794
		9,985	7,747
Creditors: Amounts payable within one year	8	(408)	(945)
Net current assets		9,577	6,802
Total net assets		15,651	10,996
Capital and reserves			
Called up share capital	9	1,584	1,098
Share premium account	10	13,815	9,481
Capital redemption reserve	10	3	2
Capital reserve	10	220	405
Revenue reserve	10	29	10
Equity shareholders' funds		15,651	10,996
Net asset value per share			
Ordinary shares	12	98.8p	100.2p

Signed on behalf of the Board

Andrew Hugh Smith

Sir Andrew Hugh Smith
Director

16 November 1998

The accompanying notes on pages 8 to 13 are an integral part of these financial statements.

British Smaller Companies VCT plc

Cash flow statement
For the period of 1 April 1998 to 30 September 1998

	Notes	6 months ended 30 September 1998 £'000	Year ended 31 March 1998 £'000
Net cash (outflow) inflow from operating activities	13	(42)	227
Taxation			
Advance corporation tax received (paid)		33	(38)
Capital expenditure and financial investment			
Purchase of investments		(2,394)	(2,865)
Proceeds from disposal of investment		227	86
		(2,167)	(2,779)
Equity dividends paid		(144)	(177)
Management of liquid resources			
Purchase of fixed interest government stocks		(4,554)	(8,688)
Proceeds from the sale of fixed interest government stocks		1,949	3,701
Net movement on cash placed on short term deposit		-	147
Net cash outflow from investing activities		(2,605)	(4,840)
Financing			
Issue of Ordinary shares		4,492	6,400
Issue expenses		(289)	(326)
Purchase of own shares		(6)	(21)
Consideration for unallotted share capital		-	618
Net cash inflow from financing activities		**4,197**	**6,671**
Decrease in cash		**(728)**	**(936)**

The accompanying notes on pages 8 to 13 are an integral part of these financial statements.

British Smaller Companies VCT plc

Notes to the interim financial statements for the 6 months ended 30 September 1998

1 Principal accounting policies

The interim financial statements, which do not constitute statutory accounts, have been prepared on a basis consistent with the statutory financial statements for the period ended 31 March 1998. The statutory financial statements for the period ended 31 March 1998 have been reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

2 Gross revenue

	6 months ended 30 September 1998 £'000	6 months ended 30 September 1997 £'000	Year ended 31 March 1998 £'000
Income from investments:			
Dividends	88	32	119
Interest on loans to unquoted companies	97	30	87
Fixed interest government securities	297	113	264
	482	175	470
Interest on deposits	48	66	78
	530	241	548

3 Administrative expenses

	6 months ended 30 September 1998 £'000	6 months ended 30 September 1997 £'000	Year ended 31 March 1998 £'000
Investment advisory fee (including irrecoverable VAT)	129	54	144
Directors' remuneration	32	22	44
Auditors' remuneration	4	3	6
General expenses	55	40	123
	220	119	317
Less Management fee allocated to capital reserves	(97)	(40)	(108)
	123	79	209

Notes to the financial statements for the 6 months ended 30 September 1998 (continued)

4 Taxation charge

	6 months ended 30 September 1998 £'000	6 months ended 30 September 1997 £'000	Year ended 31 March 1998 £'000
UK taxation based on net revenue for the period:			
Corporation tax at 27% (1997/98: 21%)	87	26	45
Tax attributable to franked investment income	18	6	24
	105	32	69

5 Return per Ordinary share

The return per share is based on net revenue from ordinary activities after tax attributable to shareholders of £302,000 and on 15,625,000 shares, being the weighted average number of shares in issue during the period. There is no difference between the return per share and the fully diluted return per share.

6 Investment Portfolio

	30 September 1998 £'000	31 March 1998 £'000
a) Fixed Assets		
AIM listed investments at valuation	758	874
Unlisted investments at valuation	5,316	3,320
	6,074	4,194

The movement since 1 April 1998 was as follows:-	
Beginning of period	4,194
Additions	2,394
Disposals	(227)
Realised gain	52
Unrealised loss	(339)
Valuation at 30 September 1998	6,074
End of period at cost	5,858

British Smaller Companies VCT plc

Notes to the financial statements for the 6 months ended 30 September 1998 (continued)

Investment Portfolio (continued)

	30 September 1998 £'000	31 March 1998 £'000
b) Current Assets		
UK Government stocks at valuation	9,304	6,527
The movement since 1 April 1998 was as follows:-		
Beginning of period	6,527	
Additions	4,554	
Disposals	(1,949)	
Realised gains	12	
Unrealised gains	160	
Valuation at 30 September 1998	9,304	

7 Debtors

	30 September 1998 £'000	31 March 1998 £'000
Amounts receivable within one year:		
Prepayments and accrued income	466	291
Tax recoverable	79	99
Advance Corporation Tax recoverable	69	36
	614	426

8 Creditors

	30 September 1998 £'000	31 March 1998 £'000
Amounts payable within one year:		
Bank overdraft	1	-
Accrued expenses	25	147
Advance Corporation Tax payable	105	36
Proposed dividend	277	144
Consideration for unallotted share capital	-	618
	408	945

9 Called-up share capital

	30 September 1998		31 March 1998	
	Authorised £'000	Allotted, Called-up and Fully paid £'000	Authorised £'000	Allotted, Called-up and Fully paid £'000
Ordinary shares of 10p Authorised 18,000,000- Issued 15,839,838 (31 March 1998 :10,979,493)	1,800	1,584	1,800	1,098

British Smaller Companies VCT plc

Notes to the financial statements for the 6 months ended 30 September 1998 (continued)

Called-up share capital (continued)

Between 1 April 1998 and 2 June 1998 4,866,345 10p Ordinary shares were subscribed for at £1.05 in connection with a Public Issue for cash as set out in the prospectus dated 13 February 1998 and pursuant to the directors' authority to allot shares.

On 26 June 1998, in furtherance of the Board's policy of maintaining liquidity in the Company's shares, the Company purchased 6,000 10p Ordinary shares at a price of 93p per share. These shares have been cancelled.

10 Reserves

	Share Premium £'000	Capital Redemption £'000	Capital Reserve Realised £'000	Capital Reserve Unrealised £'000	Revenue Reserve £'000
At 1 April 1998	9,481	2	(196)	601	10
Issue of new shares	4,623				
Expenses of share issue	(289)				
Valuation of investment portfolio			52	(339)	
Valuation of current asset investments			12	160	
Capital expenses			(97)		
Tax effect of capital items			27		
Purchase of own shares		1			(6)
Retained revenue for period					25
At 30 September 1998	13,815	3	(202)	422	29

11 Reconciliation of movements in shareholders' funds

	1998 £'000
At 1 April 1998	10,996
Shares issued (net of expenses)	4,821
Total return after tax	117
Purchase of own shares	(6)
Dividends payable	(277)
	15,651

British Smaller Companies VCT plc
Notes to the financial statements
for the 6 months ended 30 September 1998 (continued)

12 Net asset value per share

The net asset value per Ordinary share is calculated on attributable assets of £15,651,000 and 15,839,838 shares in issue at the period end (31 March 1998: assets of £10,996,000 and 10,979,493 shares).

13 Reconciliation of Net Revenue on Ordinary Activities before Tax to Net Cash (Outflow) Inflow from Operating Activities

	6 months ended 30 September 1998 £'000	Year ended 31 March 1998 £'000
Net Revenue on ordinary activities before taxation	407	339
Increase in prepayments and accrued income	(175)	(28)
(Decrease) increase in accruals	(122)	135
Investment advisory fees charged to capital reserve	(97)	(108)
Tax deducted at source on investment income received	(55)	(111)
Net cash (outflow) inflow from operating activities	(42)	227

14. Reconciliation of Net Cash Flow to Movement in Net Funds

	6 months ended 30 September 1998 £'000	Year ended 31 March 1998 £'000
Decrease in cash in the period	(728)	(936)
Cash outflow from increase in liquid resources	2,605	4,840
Changes in net funds resulting from cash flows	1,877	3,904
Other non-cash items:		
Movement in value of fixed interest quoted investments	172	27
Net funds beginning of period	7,321	3,390
Net funds at end of period	9,370	7,321

Notes to the financial statements for the 6 months ended 30 September 1998 (continued)

15. Analysis of Net Funds

	31 March 1998 £'000	Cash flow £'000	Other non cash changes £'000	30 September 1998 £'000
Cash on call deposit	794	(727)	-	67
Overdraft	-	(1)	-	(1)
	794	(728)	-	66
Cash on short term deposit	-	-	-	-
Fixed interest quoted investments	6,527	2,605	172	9,304
	7,321	1,877	172	9,370

16. Post Balance Sheet Events

On 2 November 1998 the Company invested £200,750 in Honeycombe Leisure Plc. The investment in Ordinary shares was made at the time of the company's introduction to AIM.

On 3 November 1998 the Company invested a further £100,000 in Ray Engineering Company Limited. The investment was by way of £78,000 in 11.5% Cumulative Redeemable Preference Shares and £22,000 in Ordinary shares.