Interim Report
for the period from
1 April 2005
to 30 September 2005

313449

BRITISH SMALLER COMPANIES VCT plc

Contents

British Smaller Companies VCT plc

Advised by YFM Private Equity Limited, British Smaller Companies VCT plc provides venture capital funding of up to £1m to VCT qualifying companies.

The investment policy of the Company is to create a portfolio that blends a mix of businesses operating in traditional industries with those that offer opportunities in the development and application of innovation.

Highlights - six months ended 30 September 2005

- Further significant growth in net asset value.
- Interim dividend of 1.5 pence per Ordinary share.
- Total return increases to 122.8 pence per Ordinary share.

The total return, as measured by aggregating net asset value per share and cumulative dividends per share to shareholders who invested in the first round of fundraising is 122.8 pence per share as at 30 September 2005, an increase of 19.6% over the last twelve months.

The chart below sets out total return since inception.

Chairman's Statement

I am pleased to report further growth by your Company, continuing the progress made in the previous three years. The first half of the current financial year has seen the net asset value of the Ordinary shares increase from £13.09 million (as restated) to £13.98 million. This growth has, in part, derived from achieving successful realisations, in particular the disposal of the investment in Harlands of Hull Limited where your Company more than trebled its investment in less than two years. The total return to shareholders who invested in the first round of fundraising, including dividends paid, at 30 September 2005 is 122.8 pence per share, an increase of 19.6 per cent over the last twelve months. It is proposed to maintain the interim dividend at 1.5 pence per Ordinary share.

In the same period, the net asset value of the C shares has increased from 95 to 95.1 pence per share. Investment of the new funds raised is now under way.

Investment Portfolio

The first half of this financial year has, in the main, seen your Company continue to concentrate on achieving realisations from the portfolio. As a consequence, £1.86 million has been generated in the period. Harlands of Hull Limited was acquired by Clondalkin Group (UK) Limited and your Company's investment of £0.5 million was realised for £1.59 million. Your Company also realised 10 per cent of its holding in Cozart plc, generating £0.18 million. Your Board was pleased to learn that the investment in Harlands of Hull has gained recognition amongst its peers and has recently been short listed for the European Venture Capital Deal of the Year award.

Subsequent to the end of the period, your Company has completed a £200,000 investment in Belgravium Technologies plc on its admission to AIM. In accordance with the stated policy, the amounts invested from the Ordinary and C shares were £146,000 and £54,000 respectively.

As a result of the realisations, the total amount of cash and liquid resources in respect of the Ordinary shares at 30 September 2005 was £3.28 million (C shares: £1.21 million). Regarding the Ordinary shares, £0.22 million is allocated for the proposed interim dividend. The balance provides sufficient reserves to meet the operational requirements of your Company and any estimated funding requirements for the current portfolio and provides enough cash to meet selected investment opportunities as they arise.

Investment Valuations

This period has seen the introduction of the new Financial Reporting Standards (FRS) and particularly FRS 26 which concerns the measurement of financial assets. The main effect is that all valuation movements, including unrealised gains above cost that were previously taken to the revaluation reserve, are now taken through the profit and loss account. The revaluation reserve no longer exists. These changes have no effect on the Company's distributable reserves and its ability to pay dividends in the future. The comparatives have not been restated in relation to this change, as permitted by FRS 26.

FRS 21, which concerns the accounting treatment of events after the balance sheet date, means that dividends proposed are recognised in the period in which the obligation arises. Therefore, the prior period has now been restated with the final dividend in respect of the year ended 31 March 2005 now accounted for in the current year. The restated 2005 net asset value is 86.6 pence per share. There is no effect on the overall total return.

Financial Results and Dividend

After taking account of the capital appreciation in the investment portfolio, the profit on the Ordinary shares for the six month period under review was £1.39 million, equivalent to 9.28 pence per share. In respect of the C shares, the profit for the period was £13,000, equivalent to 1.08 pence per share.

The directors are proposing an interim dividend of 1.5 pence per Ordinary share. This maintains the level of dividends paid in the same period of the previous financial year. The dividend will be payable on 10 January 2006 to holders of Ordinary shares on the register at 11 November 2005. Your Company continues to operate a dividend re-investment scheme that allows shareholders to re-invest the dividends and, subject to your tax status, re-claim 40 per cent of the investment as a tax relief.

No interim dividend is proposed on the C shares since the investment of the funds raised is in its very early stages and there has not been an opportunity to date to earn profits on the investments made.

Shareholder Relations

I am pleased to report that the share price performance has continued to match that of the net asset value with the discount being maintained at around 10 per cent. Your Board has also continued its policy of publishing quarterly net asset values in order that the share price can reflect the most recent performance of your Company and it has maintained its policy of actively buying back shares where it is in the best interests of the remaining shareholders to do so. During the six months to 30 September 2005, your Company acquired 200,000 shares in pursuit of this policy.

In line with the Board's policy of providing full information to shareholders, we have expanded the information in respect of investments. In addition to a summary of all the investments

Chairman's Statement

within the current portfolio, we also provide information on all of the investments made by your Company both past and present.

Fundraising

Shareholders will be aware that a C Share issue, at a price of £1 per share, was made by your Company and closed in June 2005. The total amount of funds raised was £1.26 million. The proceeds from the C share issue will be invested alongside the Ordinary shares in proportion to the cash and liquid resources available for investment. It is your Board's intention to convert the C shares into Ordinary shares once 70 per cent of the proceeds of the issue have been invested in qualifying investments.

"The growth in the portfolio continues, with further potential upside evident."

Outlook

The growth in the portfolio continues, with further potential upside evident. With the recent realisations and the expectation of some more in the pipeline, the challenge for the Board and its investment adviser now is to increase the rate of investment to build the portfolio back up to its historic levels.

With a maturing portfolio producing profitable realisations, and through the introduction of the dividend reinvestment scheme, your Board has provided shareholders with capital growth and the ability to reinvest the distribution proceeds in a tax efficient way, whilst still enabling those shareholders wishing to receive tax free cash income to do so.

Andrew Hugh Smith

Sir Andrew Hugh Smith
2 November 2005

Investment Portfolio

Current Investments

Name of Company	Date of initial Investment	Location	Industry Sector	Investment at Valuation £000	Investment at Cost £000
GO Outdoors Ltd	May-98	Sheffield	Consumer Products	1,642	155
Sheet Piling (UK) Ltd	Jun-00	Preston	Construction	1,454	305
International Resources Group Ltd	Feb-98	London	Support Services	1,400	47
Cozart plc	May-01	Abingdon	Healthcare	1,324	451
Special Mail Services Ltd	Sep-02	Northampton	Support Services	1,010	358
Connaught plc	Nov-98	Sidmouth	Construction	619	110
Straight plc	Feb-04	Leeds	Industrial	577	301
Images at Work Ltd	May-99	Salisbury	Support Services	497	345
The JDA Group Ltd	Sep-00	Leeds	Support Services	432	30
Tikit plc	Jun-01	London	Software	401	225
Primal Pictures Ltd	May-01	London	Healthcare	305	500
Cardpoint plc	Jun-02	Lytham St Annes	Consumer Products	301	120
Landround plc	Aug-99	Chester	Consumer Products	216	283
Cambridge Cognition Ltd	May-02	Cambridge	Software	199	325
Oasis Healthcare plc	Jul-00	Norwich	Healthcare	146	392
Bond International plc	Dec-97	Worthing	Software	83	53
First Artist Corporation plc	May-01	Wembley	Support Services	47	265
Freshroast Coffee Co. Ltd	Jul-96	Elland	Consumer Products	8	7
Denison Mayes Group Ltd	Aug-98	Leeds	Industrial	-	100
RMF Engineering Ltd	Feb-97	Dinnington	Industrial	-	90
				10,661	**4,462**

Realised Investments

				Realisation Proceeds £000	Investment at Cost £000
Harlands of Hull Ltd	Sep-03	Hull	Industrial	1,588	500
International Resources Group Ltd	Feb-98	London	Support Services	947	561
T & D Packaging Ltd	Feb-00	Bradford	Support Services	827	750
GB International Ltd	Sep-97	Milton Keynes	Support Services	660	400
Goldcrest Homes plc	May-97	London	Construction	619	500
CRC plc	Nov-97	Aylesbury	Support Services	514	329
GO Outdoors Ltd	May-98	Sheffield	Consumer Products	460	400

Investment Portfolio

Realised Investments Continued

Name of Company	Date of initial Investment	Location	Industry Sector	Realisation Proceeds £000	Investment at Cost £000
Amino Technologies plc	Jun-04	Cambridge	Electronics	405	225
Connaught plc	Nov-98	Sidmouth	Construction	328	122
Cardpoint plc	Jun-02	Lytham St Annes	Consumer Products	311	200
The JDA Group Ltd	Sep-00	Leeds	Support Services	293	270
Images at Work Ltd	May-99	Salisbury	Support Services	270	270
Honeycombe Leisure plc	Oct-98	Preston	Support Services	259	291
RMF Engineering Ltd	Feb-97	Dinnington	Industrial	252	210
Pycraft & Arnold plc	Jul-97	London	Support Services	244	200
Voxar Ltd	Sep-00	Edinburgh	Healthcare	217	263
Sheet Piling (UK) Ltd	Jun-00	Preston	Construction	215	195
TIB plc	Jun-98	Merthyr Tydfil	Consumer Products	207	657
Denison Mayes Group Ltd	Aug-98	Leeds	Industrial	200	600
Cozart plc	May-01	Abingdon	Healthcare	183	49
Synergy Healthcare plc	Aug-01	Derbyshire	Healthcare	179	128
Policymaster plc	Jul-98	Sutton Coalfield	Software	164	120
Freshroast Coffee Co. Ltd	Jul-96	Elland	Consumer Products	162	151
Bond International plc	Dec-97	Worthing	Software	144	97
Spring Grove plc	Dec-01	Hounslow	Support Services	117	100
Special Mail Services Ltd	Sep-02	Northampton	Support Services	66	33
Straight plc	Feb-04	Leeds	Industrial	64	40
Oasis Healthcare plc	Jul-00	Norwich	Healthcare	40	29
Morgan Machine Knife Ltd	May-97	Derbyshire	Industrial	33	350
Warthog plc	Jan-01	Cheadle	Consumer Products	6	365
First Artist Corporation plc	May-01	Wembley	Support Services	5	35
Imerge Ltd	Dec-00	Cambridge	Software	2	418
Baynflax Ltd	Aug-00	Warwick	Industrial	-	500
Eagle Marketing Ltd	Dec-98	Tonbridge	Support Services	-	1,000
First Stop Stationery Ltd	Jun-99	Lancashire	Consumer Products	-	1,250
Goldstar (Natural Fruit Juices) Ltd	Nov-96	Manchester	Consumer Products	-	375
Rainbow Garden Products Ltd	Jun-98	Sheffield	Consumer Products	-	425
Ray Engineering Co. Ltd	Nov-97	Bristol	Industrial	-	535
SBS Group plc	Mar-98	London	Support Services	-	100
Tamesis Ltd	Jul-01	London	Software	-	350
Weston Antennas Ltd	Apr-01	Dorchester	Telecoms	-	500
				9,971	**13,893**
Total realised and unrealised to date				**20,632**	**18,355**

Investment Portfolio

Bond International Software plc

Bond International has over thirty years experience in the development and supply of software, support and consultancy services to the recruitment and personnel industries. It has developed its own proprietorial software known as ADAPT which is now firmly established as the world's leading staffing software. The buoyant recruitment sector has seen continuing contract wins for the company over the last six months. However, the share price has moved modestly over this same period.

Worthing www.bondadapt.com

Cambridge Cognition Limited

Cambridge Cognition is a cognitive test development company specialising in computerised psychological testing of the progress of mental conditions, especially Alzheimer's, schizophrenia and Attention Deficit Hyperactivity Disorder (ADHD). It supplies licenses and software to pharmaceutical, academic and medical customers across the globe. After a period of static revenues, trading during 2005 has been more promising with the company securing orders well above it's budgeted level.

Cambridge www.camcog.co.uk

Cardpoint plc

Cardpoint is one of the UK's leading independent providers of ATMs (cashpoints) and has grown rapidly by acquisition and organically. The latest acquisition of Moneybox has seen Cardpoint significantly strengthen its position in the market.

Lytham St Annes www.cashcardservices.co.uk

Investment Portfolio

Connaught plc

The company operates as a facilities management and integrated property services group, engaged in building maintenance, light refurbishment, commercial fitting-out and electrical work. Connaught has continued to expand its operations and reports an increasing order book with some contracts now extending for up to ten years.

Sidmouth www.connaught.plc.uk

Cozart plc

Cozart is a pioneering medical diagnostics company specialising in the development of testing devices for drugs of abuse. The highly portable Cozart RapiScan™ is suitable for on-site testing of motorists for evidence of drug use with ease, speed and accuracy. The company has recently been granted a patent for a delta-9-tetrathydrocannabinol (THC) detection method. THC is the most potent psychoactive component of the marijuana plant. Cozart has also recently completed its first acquisition in mainland Europe. This should give access to an enhanced European distribution network as well as adding some manufacturing capability.

Abingdon www.cozart.co.uk

Denison Mayes Group Limited

Denison Mayes provides a national maintenance service to a wide range of materials testing equipment used in the engineering market. Since an agreement was reached to sell the equity stake in this company back to management in September 2001, your Company has a residual loan of £100,000 remaining, which is repayable from August 2006.

Leeds www.denisonmayesgroup.com

Investment Portfolio

First Artist Corporation plc

First Artist is a management and representation business, which looks after the commercial interests of footballers and other personalities in the football and television market. An investment in First Artist was made alongside several other institutional investors when this company's shares were placed on the OFEX market in March 2001. A subsequent further investment was made, supporting the acquisition of FIMO, a European based football agency, when the shares were admitted to AIM. During the last year, three further acquisitions have been successfully integrated into the sports and entertainment group.

London www.1startist.com

Freshroast Coffee Co. Limited

Freshroast Coffee processes, packages and markets coffee, tea and associated drinks. Following the recent implementation of a new IT system, the company continues to concentrate on making operational improvements. The loan advanced at the time of the original investment has now been repaid.

Elland

GO Outdoors Limited

GO Outdoors (formerly CCCoutdoors) is a retailer of outdoor clothing, equipment and travel goods, from four outlets. Trading at the outlet opened last year in Coventry is well in line with expectations and the company remains alert to further expansion opportunities.

Sheffield www.gooutdoors.co.uk

Investment Portfolio

Images at Work Limited

Images at Work supplies and manages corporate contracts to a portfolio of around 100 large and small clients throughout the UK, including a number of blue-chip companies. The company has redeemed a significant proportion of the preference shares and continues to seek to expand its customer base.

Salisbury www.iaw.co.uk

International Resources Group Limited

International Resources Group was set up to acquire Odgers International Limited, one of the oldest recruitment firms in London. The company recruits high calibre personnel for prestigious clients, which include major institutions as well as fast growing entrepreneurial businesses. The company continues to perform well and has achieved and maintained a strong market position that has attracted interest from other companies in its sector.

London www.odgers.com

The JDA Group Limited

JDA continues to be one of the UK's most experienced and well-established relationship marketing agencies. It remains a top 20 agency for multi-disciplinary expertise and, with 21 years industry experience, it has been able to provide successful marketing solutions for clients such as Royal Mint, British Telecom, HBOS, Tui, Lakeland and Cattles. JDA's quality client base and regional base continues to provide JDA with a strong market position.

Leeds www.jda.co.uk

Investment Portfolio

Landround plc

Landround specialises in creating and servicing innovative low cost, high value, travel and holiday themed promotions for hundreds of leading companies. Its travel reward programme, 'Buy and Fly', is now well established. Landround has undergone significant management change and an operational restructuring is now underway.

Chester www.landround.com

Oasis Healthcare plc

Oasis Healthcare owns and operates dental practices providing both NHS and private treatment. Following the recent closure of 3 loss making practices, there are now 122 practices in the Oasis estate with an annualised turnover of over £70m. After a period of restructuring, cost savings and revenue generating projects are beginning to take effect and, on the back of this, the share price has risen.

Norwich www.oasis-healthcare.com

Primal Pictures Limited

Primal Pictures has developed a complete range of high quality anatomical CD-ROMs aimed at healthcare professionals, ranging from medical students to orthopaedic surgeons. Images derived from X-ray, magnetic resonance and other scan data enable the production of completely authentic anatomical data. The company is continuing to expand its business development activities to the large and potentially lucrative allied health and student markets. One such development is in the provision of a range of orthopaedic CD-ROMs to be supplied to GE Medical Systems, one of the worlds leading medical imaging companies.

London www.primalpictures.com

Investment Portfolio

RMF Engineering Limited

RMF is one of Europe's leading manufacturers of corrosion resistant chemical plants, specialising in providing tailor made solutions to problems in the process industry. RMF has recently restructured its operations, which has assisted in improving its competitiveness.

Dinnington www.rmf-engineering.com

Sheet Piling (UK) Limited

Sheet Piling is one of the UK's leading driven steel piling contractors and carries out contracts throughout the UK for a variety of sectors using its 'state of the art' equipment combined with its environmentally acceptable practice. The investment of £500,000 supported the management buy-out from Allen plc. Sheet Piling has diversified its operations and now both trades in, and utilises, piling equipment. This has, to date, continued to enhance Sheet Piling's performance.

Preston www.sheetpilinguk.com

Special Mail Services Limited

Special Mail Services is a specialist secure mail delivery company with nationwide coverage of the UK. Special Mail Services has expanded its network from 6 to 30 depots since investment and, in the same period, has trebled turnover. The customer base now also includes a mix of public and private sector clients.

Northampton www.specialmail.co.uk

Investment Portfolio

Straight plc

Straight supplies container solutions predominantly manufactured from plastics for the collection, storage or transportation of source separated waste. In addition, it supplies end users with a range of environmentally friendly home and garden products, including compost bins and water butts. The company trades mainly on a contractual basis with waste management companies, local authorities, community sector organisations and private sector businesses. After the integration of Blackwell that was acquired in January 2005, the company has increased turnover and the share price has risen accordingly.

Leeds www.straight.co.uk

Tikit Group plc

Tikit Group is a provider of consultancy services and software solutions principally to the IT departments of top law firms. The company also provides a range of document and knowledge management tools to a majority of the top 50 UK legal practices. Following the recent acquisition of Shamrock Marketing Ltd, a specialist in the auditing and cleaning of CRM data, together with the integration of earlier acquisitions and strong organic growth, the share price has seen a steady increase.

London www.tikit.com

Profit & Loss Account

For the 6 months ended 30 September 2005

	Notes	Unaudited 6 Months Ended 30 September 2005 Ord Shares £000	C Shares £000	Total £000	Restated Unaudited 6 Months Ended 30 September 2004 £000	Restated Year Ended 31 March 2005 £000
Income		**157**	**18**	**175**	157	396
Administrative expenses:						
Investment advisory fee		**(150)**	**(6)**	**(156)**	(133)	(272)
Other expenses		**(107)**	**(4)**	**(111)**	(116)	(262)
		(257)	**(10)**	**(267)**	(249)	(534)
Gain on realisation of investments		**209**	**-**	**209**	82	229
Movement on investment valuations		**1,283**	**5**	**1,288**	35	(136)
Profit (loss) on ordinary activities before taxation		**1,392**	**13**	**1,405**	25	(45)
Tax on profit (loss) on ordinary activities	2	**-**	**-**	**-**	-	-
Profit (loss) for the financial period		**1,392**	**13**	**1,405**	25	(45)
Dividends paid	3	**(333)**	**-**	**(333)**	(741)	(1,140)
Retained profit (deficit) for the period		**1,059**	**13**	**1,072**	(716)	(1,185)
Basic and diluted earnings (loss) per Ordinary share	4	**9.28p**	**1.08p**	**8.67p**	0.16p	(0.29)p

Notes

All activity has arisen from continuing operations. There was no income or expenditure in the comparative periods in respect of the C shares. Consequently, the results above for the comparative periods relate only to the Ordinary shares.

Statement of Total Recognised Gains & Losses

For the 6 months ended 30 September 2005

	Unaudited 6 Months Ended 30 September 2005 Ord Shares £000	C Shares £000	Total £000	Unaudited 6 Months Ended 30 September 2004 £000	Year Ended 31 March 2005 £000
Profit (loss) for the financial period	**1,392**	**13**	**1,405**	25	(45)
Unrealised gain on valuation of investments	-	-	-	720	2,392
Total recognised gains for the period	**1,392**	**13**	**1,405**	745	2,347

Note of Historical Cost Profits and Losses

For the 6 months ended 30 September 2005

	Unaudited 6 Months Ended 30 September 2005 Ord Shares £000	C Shares £000	Total £000	Restated Unaudited 6 Months Ended 30 September 2004 £000	Restated Year Ended 31 March 2005 £000
Profit (loss) on ordinary activities before taxation	**1,392**	**13**	**1,405**	25	(45)
Realisation of investment gains of previous periods	**1,042**	-	**1,042**	-	315
Historical cost profit on ordinary activities before taxation	**2,434**	**13**	**2,447**	25	270
Historical cost profit (loss) on ordinary activities after taxation and dividends	**2,123**	**13**	**2,136**	(716)	(870)

Balance Sheet

As at 30 September 2005

	Notes	Unaudited 30 September 2005 Ord Shares £000	Unaudited 30 September 2005 C Shares £000	Unaudited 30 September 2005 Total £000	Restated Unaudited 30 September 2004 £000	Restated 31 March 2005 Ord Shares £000	Restated 31 March 2005 C Shares £000	Restated 31 March 2005 Total £000
Fixed assets								
Investment portfolio		**10,661**	**-**	**10,661**	9,711	11,045	-	11,045
Current assets								
Debtors		**121**	**4**	**125**	301	160	-	160
Investments		**2,661**	**1,111**	**3,772**	1,777	1,656	-	1,656
Cash		**623**	**100**	**723**	288	314	246	560
		3,405	**1,215**	**4,620**	2,366	2,130	246	2,376
Creditors: Amounts payable within one year		**(85)**	**(18)**	**(103)**	(46)	(85)	(9)	(94)
Net current assets		**3,320**	**1,197**	**4,517**	2,320	2,045	237	2,282
Total net assets		**13,981**	**1,197**	**15,178**	12,031	13,090	237	13,327
Capital and reserves								
Called-up share capital		**1,490**	**629**	**2,119**	1,532	1,512	125	1,637
Share premium account		**18**	**555**	**573**	-	-	112	112
Capital redemption reserve		**100**	**-**	**100**	55	75	-	75
Revaluation reserve		**-**	**-**	**-**	5,511	7,116	-	7,116
Special reserve		**3,471**	**-**	**3,471**	3,805	3,661	-	3,661
Profit and loss account		**8,902**	**13**	**8,915**	1,128	726	-	726
Equity shareholders' funds		**13,981**	**1,197**	**15,178**	12,031	13,090	237	13,327
Net asset value per share	5	**93.9p**	**95.1p**	**94.0p**	78.5p	86.6p	95.0p	86.7p

Signed on behalf of the Board

P.S. CAMMERMAN
DIRECTOR
2 November 2005

Summarised Cash Flow Statement

For the 6 months ended 30 September 2005

	Unaudited 6 Months Ended 30 September 2005			Unaudited 6 Months Ended 30 September	Audited Year Ended 31 March 2005		
	Ord Shares	C Shares	Total	2004	Ord Shares	C Shares	Total
	£000	£000	£000	£000	£000	£000	£000
Net cash (outflow) inflow from operating activities	**(95)**	**13**	**(82)**	(311)	(212)	-	(212)
Net cash inflow from investing activities	**1,856**	**-**	**1,856**	374	706	-	706
Equity dividend paid to shareholders (net)	**(311)**	**-**	**(311)**	(741)	(1,140)	-	(1,140)
Net cash inflow (outflow) before management of liquid resources and financing	**1,450**	**13**	**1,463**	(678)	(646)	-	(646)
Management of liquid resources	**(989)**	**(1,105)**	**(2,094)**	848	950	-	950
Net cash inflow (outflow) before financing	**461**	**(1,092)**	**(631)**	170	304	-	304
Financing	**(152)**	**946**	**795**	(66)	(174)	246	72
Increase (decrease) in cash in the period	**309**	**(146)**	**163**	104	130	246	376

Notes to The Financial Statements

1. The Company has adopted a number of new Financial Reporting Standards in these interim results. The Company has taken advantage of the exemption available to it under paragraph 108D of FRS 26 'Financial Instruments: Measurement' not to restate the prior year comparative figures on adoption of FRS 26. FRS 26 requires the Company to recognise and measure its investments at fair value. The Company has measured its investments at fair value applying the International Private Equity and Venture Capital Valuation Guidelines with effect from 1 January 2005 to the extent that those requirements do not conflict with FRS 26, the main difference being in respect of the non-application of marketability discounts. Where a conflict exists, the requirements of FRS 26 are followed. The new valuation guidelines superseded the British Venture Capital Association Valuation Guidelines which, historically, have been applied by the Company.

   FRS 21 'Events after the Balance Sheet Date' has been adopted in these interim results. The main change is that dividends are only recorded where an obligation exists at the period end date. Consequently, dividends which the Company proposes after the balance sheet date are no longer accrued but are required to be disclosed in the notes to the financial statements. The prior year comparative figures have been restated to reflect adoption of FRS 21. The prior year adjustment solely relates to the adoption of FRS 21.

   The adoption of both FRS 22 'Earnings per share' and FRS 23 'The Effects of Changes in Foreign Exchange Rates' has resulted in no changes in the accounting policies of the Company. Consequently, the prior year comparative figures have not been revised.

   The requirements of the disclosure standard FRS 25 'Financial Instruments: Disclosure and Presentation', whilst being applicable for the year ending 31 December 2005, do not impact the interim results. The requirements of FRS 25 will be reflected in the Company's annual report and accounts expected to be published in June 2006.

   The interim financial statements, which have been approved by the directors, are unaudited and do not constitute full financial statements as defined in section 240 of the Companies Act 1985. The comparative figures for the year ended 31 March 2005 do not constitute full financial statements and, with the exception of the effects of the prior year adjustment arising on adoption of FRS 21 referred to above, have been extracted from the Company's financial statements for the year ended 31 March 2006. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

Notes to The Financial Statements

2. Taxation

	Ord Shares £000	C Shares £000	Total £000	Unaudited 6 Months Ended 30 September 2004 £000	Year Ended 31 March 2005 £000
	Unaudited 6 Months Ended 30 September 2005				
Profit (loss) on ordinary activities multipled by standard small company rate of corporation tax in the UK of 19% (2004: 19%)	**264**	**2**	**266**	5	(9)
Effect of:					
UK dividends received (i)	**(14)**	**-**	**(14)**	(11)	(33)
Non taxable losses (profits) on investments (i)	**(283)**	**(1)**	**(284)**	(22)	(17)
Excess management expenses (ii)	**33**	**(1)**	**32**	28	59
Current tax charge for the period	-	-	-	-	-

(i) Venture Capital Trusts are not subject to corporation tax on these items
(ii) The Company has no deferred tax liability

3. Dividends

	Ord Shares £000	C Shares £000	Total £000	Restated Unaudited 6 Months Ended 30 September 2004 £000	Restated Year Ended 31 March 2005 £000
	Unaudited 6 Months Ended 30 September 2005				
March 2004 Final dividend					
4.8p per share - paid August 2004	-	-	-	741	741
September 2004 Interim dividend					
1.5p per Ordinary share - paid November 2004	-	-	-	-	230
Special interim dividend					
1.1p per Ordinary share - paid February 2005	-	-	-	-	169
March 2005 Final dividend					
2.2p per Ordinary share - paid August 2005	**333**	**-**	**333**	-	-
	333	**-**	**333**	741	1,140

Since the period end, the directors have approved an interim dividend in respect of the Ordinary shares of 1.5 pence per share. This will be paid on 10 January 2006 to shareholders on the register at 11 November 2005. No interim dividend will be paid in respect of the C shares.

Notes to The Financial Statements

4. The basic earnings (loss) per Ordinary share is based on the net profit from ordinary activities after tax attributable to shareholders of £1,392,000 (30 September 2004: net profit £25,000 and 31 March 2005: net loss £45,000) and on 15,000,000 shares (30 September 2004: 15,407,000 and 31 March 2005: 15,343,000), being the weighted average number of Ordinary shares in issue during the period.

The basic earnings per C share is based on the net profit from ordinary activities after tax attributable to C shareholders of £13,000 and on 1,198,412 shares, being the weighted average number of C shares in issue during the period. There was no income or expenditure in the comparative periods in respect of the C shares.

The Company has no securities that would have a dilutive effect and hence basic and diluted return per share are the same.

5. The net asset value per Ordinary share is calculated on attributable assets of £13,981,000 and 14,895,463 shares in issue at the period end (30 September 2004: assets of £12,031,000 (as restated) and 15,317,838 shares, 31 March 2005: assets of £13,090,000 (as restated) and 15,117,838 shares).

The net asset value per C share is calculated on attributable assets of £1,197,000 and 1,258,677 shares in issue at the period end (31 March 2005: assets of £237,000 and 249,575 shares).

6. Copies of the interim report can be obtained from the Company's registered office: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ.

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