

Interim Report for the six months ended  
30 September 2011



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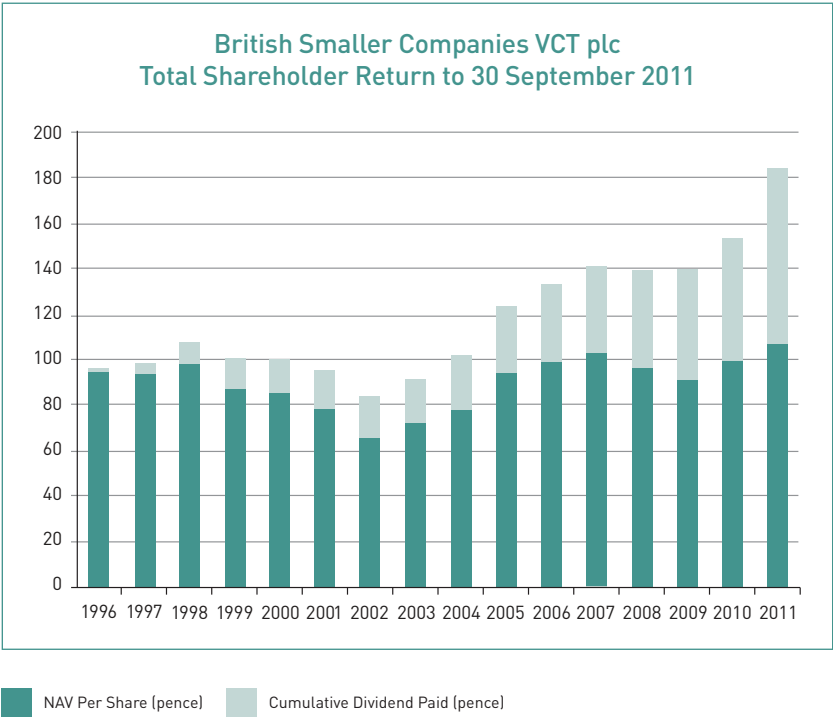
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# Financial Highlights

For the 6 months ended 30 September 2011

The Total Return as at 30 September 2011 to those Shareholders who invested in the first round of fundraising is 183.7 pence per share. This compares to 153.0 pence per share at 30 September 2010 and 176.2 pence per share at 31 March 2011.



# Chairman's Statement

Following the strong performance reported previously for the year to March 2011, I am pleased to report further progress in the current financial year. The Net Asset Value per share increased by 6.25% from 120.0 pence per share at 31 March 2011 to 127.5 pence per share out of which dividends totalling 21.0 pence per share were paid resulting in a Net Asset Value of 106.5 pence per share at 30 September 2011. This compares to decreases in the FTSE SmallCap Index of 12.9% and the FTSE AiM All-Share Index of 22.3%. The Total Return increased by 7.5 pence per share to 183.7 pence per share over the same period.

In August 2011 a dividend was paid to shareholders of £7.5 million or 21.0 pence per share. This comprised a final dividend of 3.0 pence per share plus a special dividend of 18.0 pence per share following the profit achieved on the £6.54 million partial realisation of the Company's holding in retail chain GO Outdoors Limited which completed in April 2011. These payments take the total dividends over the life of the Company to 77.2 pence per share.

It was pleasing to note that £1.2 million was re-invested by Shareholders through the Dividend Re-Investment Scheme. Your Board intends to maintain, where possible, an underlying annual dividend of 5.0 pence per share, increasing this when profitable realisations are achieved. The Board is therefore proposing to maintain an interim dividend at 2.0 pence per share which will be paid on 20 January 2012 to Shareholders on the register at 23 December 2011.

The performance in the first six months of this financial year has again been delivered against a backdrop of both financial and political uncertainty particularly so across Europe which has negatively impacted confidence. However several of the portfolio companies have taken tough actions over recent years to improve efficiency with the effects now evident in recent trading results and improving

valuations. The portfolio remains well funded and there should be opportunities for further value growth as economic conditions improve.

In the first six months of the financial year the Company invested £0.86 million which comprised one new investment and three follow-on investments. In recent months the Fund Manager has also seen an increase in the number of investment opportunities with management teams looking to fund expansion plans and vendors prepared to consider realisation events. Subsequent to the period end the Board has approved new investments totalling £2.3 million, all of which are currently going through due diligence processes. It is with this in mind that the Board sought to increase the Company's investment capacity via the linked offer in December 2010 with British Smaller Companies VCT2 plc, with a total of £4.41 million gross proceeds being raised by the Company.

## Performance Summary to 30 September 2011

Total Return %	6 months	1 year	3 years	5 years	Since Flotation 1996
NAV+	4.3	20.1	32.4	39.2	83.7
FTSE All-Share™	-13.5	-7.4	6.9	-13.0	42.0

+ The value of £100 invested in the Company's shares, excluding tax relief on subscription, has been calculated by reference to Net Asset Value and cumulative dividends paid. The calculation assumes that any dividends have been paid and not reinvested in shares of the Company.

# Chairman's Statement

## Total Shareholder Return by Fundraising Round

	Offer price	Offer price net of tax	Net Asset Value at 30 September 2011	Cumulative dividends paid since Fundraising*	Total Return since Fundraising*	Total Return since Funds invested with participation in the DRIS* ***	IRR****
Tax Year	Pence	Pence	Pence	Pence	Pence	Pence	%
1995/96 & 1996/97	100.00	80.00	106.50	77.2	183.7	197.7	4.8%
1996/97 & 1997/98	100.00	80.00	106.50	76.1	182.6	196.6	5.1%
1997/98 & 1998/99	105.00	84.00	106.50	72.6	179.1	193.1	4.8%
2004/05 (C share***)	99.50	59.70	119.78	45.4	165.2	173.6	8.9%
2005/06	100.00	60.00	106.50	46.8	153.3	163.7	9.1%
2006/07 & 2007/08	102.50	71.75	106.50	42.3	148.8	156.7	9.5%
2007/08 & 2008/09	106.25	74.38	106.50	37.3	143.8	162.8	9.7%
2009/10 & 2010/11	97.25	68.08	106.50	27.3	133.8	135.4	24.8%
2010/11 & 2011/12	128.00	89.60	106.50	21.0	127.5	127.5	-1.0%

\* This assumes that at the time of investment the tax relief given on the investment was not also invested in shares of the Company

\*\* Assuming that all dividends were invested under the terms of the current Dividend Re-Investment Scheme

\*\*\* NAV has been adjusted for conversion of C shares into Ordinary shares in May 2007

\*\*\*\* The IRR calculation has been performed based on the issue date of 5 April in the earlier tax year in all cases

## Interim Management Report

In April 2011 a £28 million investment was made into portfolio business GO Outdoors Limited by 3i plc. This enabled a £6.54 million partial realisation, representing a £2.07 million gain on 31 March 2011 valuation and £6.49 million uplift on cost. The Company retains a significant minority shareholding and the Fund Manager is now working closely with management and 3i to continue the rollout of this highly successful outdoor equipment retail model. A further £233,000 of proceeds was received from the repayment of the Company's preference shares in contract caterer Waterfall Services Limited and £93,000 from the partial realisation of 10% of the Company's holding in AIM quoted coal service business Hargreaves Services plc.

Overall the portfolio saw a value gain of £2.35 million (7.9%) over the 6 months to 30 September 2011. Several of our portfolio companies have made significant progress in the period and remain well placed to grow further as economic conditions improve. There were particularly strong performances resulting in valuation increases from both Deep-Secure Ltd (£0.99 million) and President Engineering Group Ltd (£0.90 million) with further notable increases delivered by GO Outdoors Limited, Hargreaves Services plc and Waterfall Services Limited. Whilst GO Outdoors remains the Company's single biggest portfolio investment, this holding has reduced from 33% to 19% as a percentage of total Net Asset Value following the partial realisation in April 2011.

# Chairman's Statement

The level of new investment opportunities under consideration has increased which is translating into new investments for the Company and some acquisitions for the portfolio. In July 2011 £0.6 million was invested as part of the management buyout of Bagel Nash Limited, a bakery and successful retail chain operating in the North East. Three follow-on investments totalling £0.26 million were also made into the existing portfolio: £0.1 million was invested into specialist healthcare communications company, Fishawack Limited, to fund the acquisition of a Swiss competitor; £0.12 million was invested into AIM quoted diagnostic healthcare group, EKF Diagnostics Holdings plc, to help fund the acquisition of a US based diagnostics group and £0.04 million was invested into niche international recruitment consultant, Darwin Rhodes Group Limited, to fund a shareholder restructuring alongside investment from new institutional co-investment partner Calculus Capital.

## Financial Results

The revenue profit before tax for the period was £0.59 million which compares to £0.45 million for the same period in 2010. The capital profit before tax for the six months to September 2011 is £2.23 million which compares to a £2.46 million capital profit for the same period in 2010.

The movement in Net Asset Value per share is as follows:

	Pence/share
31 March 2011	120.0
Issue of shares	[0.3]
Dividends paid in period	[21.0]
Dividend Re-Investment Scheme/ Purchase of own shares	[0.6]
Realisation of investments	6.3
Net increase in value	2.1
30 September 2011	106.5

The investment valuation growth highlighted above has resulted in the Net Asset Value per share increasing to 127.5 pence per share at 30 September 2011 prior to the payment of the 21.0 pence dividend in August 2011 (120.0 pence per share at 31 March 2011). The Total Return (Net Asset Value plus cumulative dividends paid) at 30 September 2011 now stands at 183.7 pence per share compared to 176.2 pence per share at 31 March 2011, an increase of 7.5 pence per share.

In the six months to September 2011 the Company has issued a total of 2,699,270 new shares raising a net total of £2.92 million of new cash for the Company. Of the shares issued in the period 1,277,941 were issued pursuant to the Dividend Re-Investment Scheme and the balance was in respect of shares issued under the linked offer referred to above. The Company also re-purchased 46,020 of its own shares pursuant to the Share Buy Back Scheme.

Cash and investment in gilts totalled £13.09 million at 30 September 2011 (£11.68 million at September 2010), representing 33% (September 2010: 36%) of Net Asset Value before taking account of any interim dividend. The Board continually reviews the Company's medium term investment capacity to ensure that it is sufficient to meet investment opportunities as they arise.

## Shareholder Relations

### Dividend Re-Investment Scheme

Your Company continues to offer a dividend re-investment scheme. The Dividend Re-Investment Scheme was amended earlier this year giving the directors discretion to allow Shareholders to opt for a special dividend to be paid in cash. Your Board was particularly pleased that following the payment of the special dividend in August 2011 that 16% (2010: 17.6%) of Shareholders re-invested £1.20 million of dividends (2010: £0.14 million).

# Chairman's Statement

## Share Buy Backs

These are effected in the market through the Company's broker Singer Capital Markets. During the six month period to 30 September 2011, your Company acquired 46,020 shares at a cost of £0.04 million (2010: 260,000 shares at a cost of £0.20 million).

## VCT Legislation

The changes announced in the Budget earlier this year are (subject to EU State Aid approval) proposed to be introduced from April 2012. The following are the key changes proposed:

- The limit on the maximum number of employees in an investee company is to be raised from less than 50 to less than 250.
- The limit on the gross assets of an investee company prior to investment is to be increased from £7 million to £15 million.
- The maximum investment a qualifying company can receive in a twelve month period is to be increased from £2 million to £10 million.

This is a very positive step by the Government recognising the importance of venture capital trusts to the UK economy.

The Government has also undertaken a consultation exercise to refocus venture capital trusts to ensure that they are targeting genuine risk investments, and the outcome of this is currently awaited.

## Outlook

I am delighted to note the continued significant progress made within the portfolio over the last six months. There are now some signs of renewed demand for equity finance for growth and for management buy outs and your Company is well positioned to capitalise on these opportunities as they present themselves.

I would like to thank Shareholders for their continued support.



**Helen Sinclair**  
**23 November 2011**

# Investment Portfolio

Name of Company	Date of Initial Investment	Industry Sector	Original Cost £000	Realised Proceeds to Date* £000	Investment Valuation at 30 September 2011 £000	Realised and Unrealised to Date £000
<b>Current Investments</b>						
GO Outdoors Limited	May-98	Consumer Products	556	6,995	7,419	14,414
Deep-Secure Ltd	Dec-09	Software	1,000	–	2,080	2,080
President Engineering Group Ltd	Sept-10	Manufacturing	1,000	–	1,900	1,900
Adex Bridge Investments Limited	Mar-10	Turnaround	1,750	–	1,750	1,750
Waterfall Services Limited	Feb-07	Support Services	1,000	233	1,634	1,867
North Western Investments Limited	Feb-10	Turnaround	1,000	–	1,000	1,000
4G Capital Limited	Mar-10	Software	1,000	–	1,000	1,000
Fishawack Limited	Jan-08	Communications	878	–	932	932
Hargreaves Services plc	Dec-07	Industrial	469	93	849	942
Harvey Jones Holdings Limited	May-07	Manufacturing	777	–	703	703
Mattioli Woods plc	Nov-05	Support Services	326	–	604	604
Bagel Nash Limited	Jul-11	Retail	600	–	600	600
Lightmain Company Limited	Mar-10	Manufacturing	600	–	598	598
RMS Group Holdings Limited	Jul-07	Industrial	1,050	537	575	1,112
Harris Hill Holdings Limited	Jun-07	Recruitment	600	–	558	558
Bluebell Telecom Group Limited	Sep-10	Telecommunications	500	–	500	500
K3 Business Technology Group plc	Apr-08	Software	402	–	480	480
EKF Diagnostics Holdings plc	Jul-10	Pharmaceuticals	366	105	474	579
Tikit Group plc	Jun-01	Software	226	95	437	532
Darwin Rhodes Group Limited	Apr-08	Recruitment	488	–	405	405
Pressure Technologies plc	Jun-07	Industrial	425	–	347	347
Primal Pictures Limited	Mar-01	Healthcare	500	93	340	433
Cambridge Cognition Limited	May-02	Software	325	–	330	330
Woodspen Training plc	Dec-10	Training Provider	250	–	194	194
Patsystems plc	Oct-07	Software	222	–	156	156
Brulines plc	Oct-06	Software	163	–	123	123
Straight plc	Feb-04	Industrial	341	138	108	246
Ellfin Home Care Limited	Dec-07	Healthcare	823	–	103	103
Belgravium Technologies plc	Oct-05	Software	200	–	100	100
			<b>17,837</b>	<b>8,289</b>	<b>26,299</b>	<b>34,588</b>
Full realisations since March 2002			11,970	16,705	–	16,705
Full realisations prior to March 2002			6,394	3,246	–	3,246
<b>Total realised and unrealised to date</b>			<b>36,201</b>	<b>28,240</b>	<b>26,299</b>	<b>54,539</b>

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



# Reconciliation of Investment Portfolio Movement since 31 March 2011

Name of Company	Investment Valuation at 30 March 2011 £000	Realisations £000	Additions £000	Valuations gains (losses) £000	Investment Valuation at 30 September 2011 £000
<b>Current Investments</b>					
GO Outdoors Limited	13,521	(6,535)	–	433	7,419
Deep-Secure Ltd	1,092	–	–	988	2,080
President Engineering Group Ltd	1,000	–	–	900	1,900
Adex Bridge Investments Limited	1,750	–	–	–	1,750
Waterfall Services Limited	1,821	(233)	–	46	1,634
North Western Investments Limited	1,000	–	–	–	1,000
4G Capital Limited	1,000	–	–	–	1,000
Fishawack Limited	811	–	103	18	932
Hargreaves Services plc	869	(92)	–	72	849
Harvey Jones Holdings Limited	699	–	–	4	703
Other investments	6,383	(5)	760	(106)	7,032
<b>Total Movement</b>	<b>29,946</b>	<b>(6,865)</b>	<b>863</b>	<b>2,355</b>	<b>26,299</b>

# Top 15 Investments

## GO Outdoors Limited

Sheffield  
[www.gooutdoors.co.uk](http://www.gooutdoors.co.uk)

**GO Outdoors** is a retailer of outdoor clothing and equipment. The original investment of £500,000 in May 1998 supported the buyout with a second investment in March 2002 to support the company's first acquisition. The company has continued its expansion opening a further 8 stores

since January 2011, taking the total number of outlets to 35 with further expansion planned. The £28 million investment from 3i plc in April 2011 was in part to fund a continuation of the rollout of this successful retail concept.

## Deep-Secure Ltd

Malvern  
[www.deep-secure.com](http://www.deep-secure.com)

**Deep-Secure's** market leading products protect against threats to security using high security network border gateway technology, which enables customers to maintain network separation and apply content inspection so as to defend sensitive and protected information from intruders. As working practices change and more

information is shared electronically, increasing levels of exposure to leakage and attack demands more businesses rely on higher levels of security to protect their data. The main customers are in the government and defence sectors where tight security is essential.

## President Engineering Group Ltd

Sheffield  
[www.conflo.com/www.bestobellvalves.com](http://www.conflo.com/www.bestobellvalves.com)

**President Engineering** is a niche manufacturer of branded engineering products sold through agents to a diverse international customer base. The company provides mining safety systems sold to developed and developing economies under the

Conflow brand and also cryogenic valves sold to the oil and gas sector under the Bestobell brand. The Company backed a management buyout by the existing management team to continue the international development of these brands.

## Adex Bridge Investments Limited

Midlands

**Adex Bridge** is an investment company formed to provide investment to SME businesses whose performance needs to be improved. Adex Bridge is particularly focused on the Midlands and South West regions. With links to banks and other lenders it is well placed to source turnaround

activities. Managing Director Peter Bridge has previously run several engineering groups and has a successful track record of leading performance improvements with a wide range of private equity backed businesses.

# Top 15 Investments

## Waterfall Services Limited

Warrington  
[www.caterplus.co.uk](http://www.caterplus.co.uk)

**Waterfall** is a contract caterer specialising in the care home sector. Since the original investment the company has expanded its original catering services business from supplying residential and care homes to supplying the educational market.

There has been both organic and acquisitive growth which has broadened and diversified the customer base with significant progress being made in expanding the services provided to both the education and home care sectors.

## North Western Investments Limited

North West

**North Western Investments** is an investment company with significant contacts across the North West of England which makes it well-placed to expand its activities which are principally focused on acquiring and improving under-performing businesses. It supports an experienced turnaround management team based

in Merseyside. The managing director has a background in international sales and marketing in a variety of industrial and service sectors gained both as managing director and chairman and a proven track record of transforming business performance.

## 4G Capital Limited

North West

**4G Capital** is an investment company led by an experienced serial entrepreneur in the software sector. With significant experience of running software businesses and developing teams and business strategies the company has identified the opportunity to fund more traditional software

companies to transition them to providing web-based services. The entrepreneur's past successes in growth and improvement programmes have delivered shareholder value in a variety of technology, manufacturing and service businesses.

## Fishawack Limited

Knutsford  
[www.fishawack.com](http://www.fishawack.com)

**Fishawack** is an established, specialist healthcare communications agency focusing on the medical sector, with a strong reputation for providing specialist support for many of the world's top global pharmaceutical companies. To increase its international reach and service capacity and

broaden the customer base three acquisitions have been made of its US partner, a UK and a Swiss-based medical communications business. Fishawack continues to seek further sales growth, both organically and through acquisition.

# Top 15 Investments

## Hargreaves Services plc

Esh Winning, Durham  
[www.hargreavesservices.co.uk](http://www.hargreavesservices.co.uk)

In the years following its founding in 1994 **Hargreaves Services** established itself as the largest independent bulk haulage company in Britain. The group has a national network of depots and facilities, and specialises in supplying and processing carbon-based minerals. It has

expanded into energy trading in mainland Europe and operates a colliery and coke plant. Results for the year to 31 May 2011 were in line with expectations, with continuing strong performance from the energy trading division.

## Harvey Jones Holdings Limited

London  
[www.harveyjones.com](http://www.harveyjones.com)

**Harvey Jones** is a manufacturer/retailer of kitchen furniture. The business has a manufacturing facility in the UK and stores in London and affluent provincial towns and cities principally in the South of England. Its strong brand positioning has helped Harvey Jones to retain volumes through

the economic downturn. The business has continued to selectively open new stores increasing its footprint to 21 from 10 at the time of investment. This increased market share, coupled with a low level of gearing, positions Harvey Jones well to benefit as market conditions improve.

## Mattioli Woods plc

Leicester  
[www.mattioli-woods.com](http://www.mattioli-woods.com)

**Mattioli Woods** provides pensions consultancy and administration services primarily to owner-managers, senior executives and professional persons. The Group's key activities include complex pensions consultancy, the provision of

Self-Invested Personal Pensions ("SIPP") and Small Self-Administered Pension Schemes ("SSAS"). The company operates a fee-driven model and is well positioned to take advantage of regulatory changes in its market.

## Bagel Nash Limited

Leeds  
[www.bagelnash.com](http://www.bagelnash.com)

**Bagel Nash** is an established operator chain of 11 espresso and bagel bars in Leeds, Manchester, York and Huddersfield and also runs a bakery supplying products to its own stores and the UK

wholesale trade. An experienced team completed the buyout in July 2011 and value growth is expected via a retail rollout strategy.

# Top 15 Investments

## Lightmain Company Limited

Rotherham  
[www.lightmain.co.uk](http://www.lightmain.co.uk)

**Lightmain** is a manufacturer and installer of playground equipment and multi-user games areas across the UK. The business has a reputation for quality and an established customer

base which provides visibility of forward orders. Although the group has some exposure to local authority spending reviews it also generates significant revenues from other sources.

## RMS Group Holdings Limited

Goole  
[www.rms-europe.co.uk](http://www.rms-europe.co.uk)

**RMS** operates from six sites on the Humber estuary handling around 2 million tonnes of cargo a year. RMS has continued to broaden its range of customer services and expand its operations along the Humber estuary. Whilst dependent on the overall level of commodity movements the

financing structure of the company has been defensively constructed giving it a competitive advantage over others in its sector. The management team have used the tough economic conditions to consolidate their market position and have been able to repay half of the original loan.

## Harris Hill Holdings Limited

Kingston-Upon-Thames  
[www.harrishill.co.uk](http://www.harrishill.co.uk)

**Harris Hill** is a niche recruitment business with a strong reputation for providing excellent permanent and temporary recruitment solutions to the charity and not for profit sectors. Whilst market conditions have been difficult over recent

months at the level of earnings before interest, tax and amortisation the business has remained profitable and is well placed for a recovery as conditions begin to improve.

# Statement of Comprehensive Income

For the 6 months ended 30 September 2011

	Notes	Unaudited 6 months ending 30 September 2011			Unaudited 6 months ending 30 September 2010		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gains on disposal of investments		–	2,174	2,174	–	80	80
Gains on investments held at fair value		–	360	360	–	2,593	2,593
Income	2	857	–	857	693	–	693
Administrative expenses:							
Fund management fee		(103)	(308)	(411)	(73)	(217)	(290)
Other expenses		(162)	–	(162)	(173)	–	(173)
		(265)	(308)	(573)	(246)	(217)	(463)
<b>Profit before taxation</b>		<b>592</b>	<b>2,226</b>	<b>2,818</b>	<b>447</b>	<b>2,456</b>	<b>2,903</b>
Taxation	3	46	(46)	–	(46)	46	–
<b>Profit for the period attributable to equity Shareholders</b>		<b>638</b>	<b>2,180</b>	<b>2,818</b>	<b>401</b>	<b>2,502</b>	<b>2,903</b>
<b>Total comprehensive income for the period attributable to equity Shareholders</b>		<b>638</b>	<b>2,180</b>	<b>2,818</b>	<b>401</b>	<b>2,502</b>	<b>2,903</b>
<b>Basic and diluted earnings per Ordinary share</b>	5	<b>1.78p</b>	<b>6.07p</b>	<b>7.85p</b>	<b>1.23p</b>	<b>7.65p</b>	<b>8.88p</b>

# Balance Sheet

As at 30 September 2011

	Unaudited 6 months ended 30 September 2011 £000	Unaudited 6 months ended 30 September 2010 £000	Audited year ended 31 March 2011 £000
Notes			
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	26,299	20,355	29,946
Fixed income government securities	2,492	10,336	8,537
Financial assets at fair value through profit or loss	28,791	30,691	38,483
<b>Current assets</b>			
Trade and other receivables	442	345	359
Cash and cash equivalents	10,593	1,348	3,114
	11,035	1,693	3,473
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(463)	(92)	(784)
<b>Net current assets</b>	10,572	1,601	2,689
<b>Net assets</b>	39,363	32,292	41,172
<b>Shareholders' equity</b>			
Share capital	3,916	3,433	3,646
Share premium account	22,139	17,154	19,492
Capital redemption reserve	221	221	221
Treasury share reserve	(1,909)	(1,378)	(1,866)
Capital reserve	–	197	(372)
Investment holdings gains	7,679	3,956	11,780
Special reserve	2,408	2,408	2,408
Retained earnings	4,909	6,301	5,863
<b>Total Shareholders' equity</b>	39,363	32,292	41,172
<b>Basic and diluted Net Asset Value per Ordinary share</b>	6 106.5p	98.8p	120.0p

Signed on behalf of the Board



**Helen Sinclair**  
**Chairman**

23 November 2011

# Reconciliation of Movement in Shareholders' Equity

For the 6 months ended 30 September 2011

	Unaudited 6 months ended 30 September 2011 £000	Unaudited 6 months ended 30 September 2010 £000	Audited year ended 31 March 2011 £000
<b>Opening Shareholders' equity</b>	<b>41,172</b>	29,008	29,008
<i>Revenue return for the period</i>	<i>639</i>	401	616
<i>Capital expenses</i>	<i>(355)</i>	(171)	(516)
<i>Gain on investments held at fair value</i>	<i>360</i>	2,593	10,254
<i>Realisation of prior year investment holding gains</i>	<i>–</i>	–	–
<i>Gain on disposal of investments in the period</i>	<i>2,174</i>	80	19
<b>Total comprehensive income for the period</b>	<b>2,818</b>	2,903	10,373
<i>Dividends</i>	<i>(7,501)</i>	(1,393)	(2,046)
<i>Purchase of own shares</i>	<i>(43)</i>	(203)	(691)
<i>Issue of Ordinary share capital</i>	<i>1,819</i>	1,943	4,436
<i>Issue of Ordinary share capital costs</i>	<i>(104)</i>	(109)	(149)
<i>Issue of share capital on DRIS*</i>	<i>1,202</i>	143	241
<b>Total transactions with Shareholders</b>	<b>(4,627)</b>	381	1,791
<b>Closing Shareholders' equity</b>	<b>39,363</b>	32,292	41,172

\* DRIS being the Dividend Re-Investment Scheme



# Statement of Cash Flows

For the 6 months ended 30 September 2011

	Unaudited 6 months ended 30 September 2011 £000	Unaudited 6 months ended 30 September 2010 £000	Audited year ended 31 March 2011 £000
<b>Net cash inflow from operating activities</b>	<b>186</b>	221	717
<b>Cash flows from (used in) investing activities</b>			
Purchase of fixed asset investments	<b>(1,350)</b>	(2,500)	(6,802)
Proceeds from sale of fixed asset investments	<b>13,577</b>	1,478	5,588
<b>Net cash from (used in) investing activities</b>	<b>12,227</b>	(1,022)	(1,214)
<b>Cash flows (used in) from financing activities</b>			
Issue of Ordinary shares	<b>1,819</b>	1,944	4,677
Cost of Ordinary share issue	<b>(104)</b>	(161)	(149)
Purchase of own Ordinary shares	<b>(350)</b>	(203)	(691)
Dividends paid (Net of Dividend Re-Investment Scheme)	<b>(6,299)</b>	(1,251)	(2,046)
<b>Net cash (used in) from financing activities</b>	<b>(4,934)</b>	329	1,791
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,479</b>	(472)	1,294
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,114</b>	1,820	1,820
<b>Cash and cash equivalents at the end of the period</b>	<b>10,953</b>	1,348	3,114

# Reconciliation of Profit before Taxation to Net Cash Inflow from Operating Activities

For the 6 months ended 30 September 2011

	Unaudited 6 months ended 30 September 2011 £000	Unaudited 6 months ended 30 September 2010 £000	Audited year ended 31 March 2011 £000
Profit before tax	<b>2,818</b>	2,903	10,373
(Increase) decrease in prepayments and accrued income	<b>(83)</b>	1,710	1,696
Decrease in accruals and other creditors	<b>(15)</b>	(1,719)	(1,079)
Profit on realisation of investments in the year	<b>(2,174)</b>	(80)	(19)
Revaluation of investments in the period	<b>(360)</b>	(2,593)	(10,254)
Net cash inflow from operating activities	<b>186</b>	221	717

# Notes to the Interim Financial Statements

## 1. General information, basis of preparation and principal accounting policies

These half year statements 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 of the Financial Services Authority.
- The half year statements comply with IAS 34 'Interim financial reporting' and the Disclosure and Transparency Rules of the Financial Services Authority.

The half year statements are unaudited and have not been reviewed by the auditors pursuant to the Auditing Practices Board (APB) guidance on Review of Interim Financial Information. They do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The comparative figures for the year ended 31 March 2011 also do not constitute statutory accounts and have been extracted from the Company's published statutory accounts for the year ended 31 March 2011. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

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 statutory accounts for the year ended 31 March 2011, except as noted below.

The audited statutory accounts for the year ended 31 March 2011 were prepared 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 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 statutory accounts and these interim financial statements have been prepared in compliance with the recommendations of the SORP.

Other standards and interpretations which have been issued and are effective for this accounting period but are not currently relevant for the Company are IFRS 1 (Revised), IFRS 2 (Amendment), IFRS 3 (Revised), IFRS 5 (Amendment), IAS 27 (Revised), IAS 32 (Amendment) and IFRICs 17 and 18.

## 2. Income

	Unaudited 6 months ended 30 September 2011 £000	Unaudited 6 months ended 30 September 2010 £000
Income from investments		
– Dividends from unquoted companies	328	202
– Dividends from AIM quoted companies	29	27
	357	229
– Interest on loans to unquoted companies	312	162
– Fixed interest Government securities	127	253
Income from investments held at fair value through profit or loss	796	644
Interest on deposits	61	49
	857	693

# Notes to the Interim Financial Statements

## 3. Taxation

	Unaudited 6 months ended 30 September 2011			Unaudited 6 months ended 30 September 2010		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit on ordinary activities before taxation	592	2,226	2,818	447	2,456	2,903
Profit on ordinary activities multiplied by standard small company rate of corporation tax in UK of 20% (2010: 21%)	118	445	563	94	516	610
<b>Effect of:</b>						
UK dividends received	(72)	–	(72)	(48)	–	(48)
Non taxable profits on investments	–	(506)	(506)	–	(561)	(561)
Excess management expenses	–	15	15	–	(1)	(1)
Tax charge credit	46	(46)	–	46	(46)	–

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 the directors 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 2011			Unaudited 6 months ended 30 September 2010		Audited year ended 31 March 2011	
	Revenue £000	Capital £000	Total £000	Revenue £000	Total £000	Revenue £000	Total £000
Interim – 2.0p per Ordinary share; paid on 7 January 2011	–	–	–	–	–	653	653
Final paid – 3.0p per Ordinary share; paid on 22 August 2011 (2010: 3.0p per Ordinary share)	873	–	873	983	983	983	983
Special dividend – 18.0p per Ordinary share; paid on 22 August 2011 (2010: 1.25p)	720	5,908	6,628	410	410	410	410
Dividends paid	1,593	5,908	7,501	1,393	1,393	2,046	2,046

An interim dividend of 2.0 pence per share in respect of the period to 30 September 2011, amounting to £739,000 is proposed. This has not been recognised in the period ended 30 September 2011 as the obligation did not exist at the balance sheet date.

# Notes to the Interim Financial Statements

## 4 Dividends (continued)

A special dividend of 18.0 pence per Ordinary share was paid on 22 August 2011 to Shareholders following the profit generated from the partial realisation of the Company's investment in GO Outdoors Limited.

## 5. Basic and diluted earnings per Ordinary share

The basic and diluted earnings per Ordinary share is based on the profit for the period attributable to equity Shareholders of £2,818,000 (30 September 2010: profit of £2,903,000) and on 35,900,838 shares (30 September 2010: 32,734,626), 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 £638,000 (30 September 2010: profit of £401,000) and on 35,900,838 shares (30 September 2010: 32,734,626), 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 £2,180,000 (30 September 2010: profit of £2,502,000) and on 35,900,838 shares (30 September 2010: 32,734,626), being the weighted average number of shares in issue during the period.

During the period the Company allotted 1,277,941 (30 September 2010: 166,512) Ordinary shares in respect of its Dividend Re-Investment Scheme.

The Company has also repurchased 46,020 (30 September 2010: 260,000) of its own shares in the period and these shares are held in treasury. The total of 2,207,305 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2011 (30 September 2010: 1,642,837 treasury shares). The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per share are the same.

## 6. Net Asset Value per Ordinary share

The Net Asset Value per Ordinary share is calculated on attributable assets of £39,363,000 and 36,953,730 shares in issue at the period end (30 September 2010: assets of £32,292,000 and 32,687,004 shares, 31 March 2011: assets of £41,172,000 and 34,330,480 shares).

During the period the Company allotted 1,277,941 (30 September 2010: 166,512, 31 March 2011: 272,598) Ordinary shares in respect of its Dividend Re-Investment Scheme.

The Company has also repurchased 46,020 (30 September 2010: 260,000, 31 March 2011: 778,448) of its own shares in the period and these shares are held in treasury. The total of 2,207,305 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2011 (30 September 2010: 1,642,837 treasury shares, 31 March 2011: 2,161,285 treasury shares). The Company has no securities that would have a dilutive effect and hence basic and diluted Net Asset Value per share are the same.

## 7. Total Return

Total Return per share is calculated on cumulative dividends paid of 77.2 pence per Ordinary share (30 September 2010: 54.2 pence per Ordinary share and 31 March 2011: 56.2 pence per Ordinary share) plus the Net Asset Value at those dates as calculated per note 6.

# Notes to the Interim Financial Statements

## 8. Directors

The directors of the Company are: Mrs H Sinclair, Mr CWER Buchan and Mr PS Cammerman.

## 9. Advisers

On 25 August 2011 KHM Secretarial Services Limited were appointed company secretary replacing Clare Mackintosh of Keeble Hawson LLP.

## 10. Principal Risks and Uncertainties

There has been no change to the principal risks and uncertainties facing the Company since the publication of the statutory accounts for the year ended 31 March 2011. 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 statutory accounts of the Company for the year ended 31 March 2011, on page 26, a copy of which can be found at **[www.yfmep.com](http://www.yfmep.com)**.

## 11. Other information

Copies of this interim report can 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.yfmep.com](http://www.yfmep.com)**.

# Advisers to the Company

## Fund Manager and Custodian

### **YFM Private Equity Limited**

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LS7 4HZ

## Registrars

### **Capita Registrars Limited**

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## Solicitors

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## Stockbrokers

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## Fixed Interest Securities Adviser

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## VCT Status Adviser

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