

# British Smaller Companies VCT2 plc

**Interim Report  
for the 6 months ended 30 June 2013**

Company Number: 4084003

# Financial Highlights

## Total Return

The Company's Total Return has increased by 2.3 pence per ordinary share from 100.0 pence to 102.3 pence per ordinary share as at 31 December 2012. This includes cumulative dividends paid of 37.0 pence per ordinary share.

## Net Asset Value

Your Company continues to make progress with an overall increase in Net Asset Value ("NAV") of 3.5 per cent prior to the payment of dividends totalling 2.5 pence per ordinary share.

## Investment Returns

The underlying value growth in the Company's investment portfolio was £1.1 million, representing a 9.7 per cent increase over the past 6 months.

## Cumulative Dividends Paid

A final dividend of 2.5 pence per ordinary share in respect of the year ended 31 December 2012 (year ended 31 December 2011: 2.0 pence per ordinary share) was paid on 5 June 2013, of which 15 per cent was re-invested via the Company's Dividend Re-investment Scheme. This brings cumulative dividends paid since the Company's inception to 37.0 pence per ordinary share.

## Interim Dividend Proposed

The Board has proposed an interim dividend of 2.0 pence in respect of the period to 30 June 2013 maintaining the underlying dividend stream generated over the last 12 months. The average dividend over the last five years is 5.0 pence per ordinary share: representing a yield of 7.7 per cent on the NAV at 30 June 2013.

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# Financial Summary

For the 6 months ended 30 June 2013

The chart below shows how the Total Return of your Company, calculated by reference to the Net Asset Value per ordinary share plus cumulative dividends paid per ordinary share has developed over the last five years.

## Financial Calendar

Results Announced	21 August 2013
Ex-Dividend Date	28 August 2013
Record Date	30 August 2013
DRIS Election Date	13 September 2013
Dividend Paid	27 September 2013

# Chairman’s Statement

I am pleased to report a strong performance for your Company. In the six months to 30 June 2013 the Company has seen an increase in Net Asset Value of 3.5 per cent per ordinary share before the payment of the 2.5 pence per ordinary share final dividend. This growth was generated primarily from an increase in valuations across the unquoted investment portfolio.

In April 2013 the Company completed a successful joint fundraising with British Smaller Companies VCT plc, raising net proceeds of £3.3 million in the six months to June 2013 (£5.4 million since its launch in November 2012).

## Financial Results

In the six months since 31 December 2012 the Total Return, calculated by reference to Net Asset Value plus cumulative dividends, has increased by 2.3 pence per ordinary share.

The chart on page 2 shows in greater detail the movement in Total Return and dividends paid over time.

The Net Asset Value per ordinary share grew by 2.3 pence to 67.8 pence in the last six months

prior to the payment of the final dividend of 2.5 pence per ordinary share, giving a net reduction in the Net Asset Value per ordinary share of 0.2 pence, shown in the table below.

I am particularly pleased to note that, of the final dividend of 2.5 pence per ordinary share paid in June 2013, over 15 per cent was re-invested via the Company’s Dividend Re-investment Scheme.

The net gain on the investment portfolio was £1.10 million, representing a 2.4 pence per ordinary share increase in Net Asset Value, and an increase of 9.7 per cent on the opening December 2012 portfolio value of £11.4 million. This is made up of an 11.8 per cent increase from the unquoted investments and a 1.5 per cent increase from quoted securities.

	Pence/ordinary share	
31 December 2012		65.5
Net increase in portfolio	2.4	
Other decrease in value	(0.2)	
Net increase in value		2.2
Buy back of shares		0.1
Dividends paid in period		(2.5)
30 June 2013		65.3

## Investment Portfolio

The Company currently has an active portfolio of 26 investments, 16 of which are unquoted and the remainder are quoted on AIM. At 30 June 2013 the investment portfolio had a value of £12.38 million consisting of £10.35 million (83.6 per cent) in the unquoted portfolio and £2.03 million (16.4 per cent) in the AIM portfolio.

Good progress has been made across the portfolio with profit growth despite the continued low growth economic environment. The most significant movements in valuations were DisplayPlan Holdings Limited (increase of £0.33 million), Bluebell Telecom Group Limited (increase of £0.19 million), Seven Technologies Holdings Limited (increase of £0.14 million), and Waterfall Services Limited (increase of £0.12 million).

### New Investments

In the 6 months to 30 June 2013 the Company has completed one new investment and two follow on investments totalling £0.95 million. The details of which are set out below:

- In May 2013 the Company invested £0.15 million as part of a £5.0 million AIM market placing by AB Dynamics plc, a designer, manufacturer and supplier of advanced testing and measurement products to the global automotive industry.
- In June 2013 a significant follow-on investment of £0.74 million was made into Seven Technologies Holdings Limited, a manufacturer of specialist electronic and communication equipment, as part of the funding package for its £7.0 million acquisition of Datong plc, an international supplier of specialist communication products.
- In March 2013 £0.06 million was invested into existing portfolio company PowerOasis Limited a provider of power management solutions to the mobile telecommunications sector, as part of a £3.0 million funding round led by a strategic investor.

Since 30 June 2013 an additional £0.58 million has been invested, of which £0.38 million was invested to support the refinancing and roll out of bakery and retail chain Bagel Nash Group Limited, an existing portfolio company, with the remaining £0.2 million invested in existing AIM listed portfolio company Hargreaves Services plc.

### Disposal of Investments

During the six months to 30 June 2013 the Company received proceeds from disposals, repayments of loans and deferred consideration of £1.15 million which resulted in a small gain on disposal of investments of £0.01 million.

The most significant contributor to this was a loan repayment of £0.70 million as part of a refinancing package into Seven Technologies Holdings Limited ahead of its purchase of Datong plc.

The Company also realised three of its AIM investments over the period: Tikit Group plc, May Gurney Integrated Services plc and 2ergo Group plc, generating proceeds of £0.36 million, and a gain over the 31 December 2012 valuation of £0.01 million.

Deferred consideration of £0.09 million in respect of the trade sale of DxS Limited in 2009 was received. This brings total returns from this investment to £2.73 million, representing a multiple of 16.7x on capital invested.

Following 30 June 2013 the Company realised its investment in healthcare software provider Digital Healthcare Limited via a trade sale to Emis Group plc realising proceeds of £1.26 million, an increase over the 30 June 2013 valuation of £0.24 million. The Company also partly realised its investment in Pressure Technologies plc generating proceeds of £0.1 million.

## Shareholder Relations

### Dividends

Your Board remains committed to achieving the objective of a constant and increasing dividend stream over time. Following the 2012 year end a dividend of 2.5 pence was paid on 5 June 2013. This commitment has been continued in these interim results and your Board is pleased to announce an interim dividend of 2.0 pence per ordinary share, to be paid on 27 September 2013 to Shareholders on the register at 30 August 2013.

### Shareholder Workshops

Following the success of the Company's 18th Shareholder workshop in February 2013, the Company is pleased to announce that its next workshop will be held at The Central Hall, Westminster, London on 12 February 2014.

### Fundraising

Following the joint offer for subscription with British Smaller Companies VCT plc, published on 19 November 2012, your Board is pleased to announce the offer was fully subscribed and raised a total of £5.37 million net of costs. This leaves the Company well placed to take advantage of the recent changes to UK legislation which has increased the maximum amount VCTs are able to invest in any one company to £5 million per year.

### Outlook

The last six months have seen the continuation of the low economic growth conditions of recent years. Despite this many of the portfolio companies have delivered improved results building on their performances of recent years.

The current pipeline of new investment opportunities remains strong and has been increasing, although the timescales to convert from opportunity to investment are significant. The changes in EU restrictions on qualifying investments, which include increasing the amount

that can be invested into a business to £5 million in any one year, should also lead to an increase in the volume and scale of investment opportunities for the Company in the future.

The Board continues to be of the opinion that the forthcoming period will see many good investment opportunities, both for the portfolio businesses and for new investments. It was with this in mind that we increased the investment capacity of the Company and we will consider reviewing the need to increase funds further as the pipeline of investment opportunities is converted.

## Principal Risks and Uncertainties

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 December 2012. In summary, the principal risks are:

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

Full details of the principal risks can be found in the financial statements for the year ended 31 December 2012 on pages 29 and 30, a copy of which is available at [www.yfmep.com](http://www.yfmep.com)

Richard Last  
Chairman  
21 August 2013

# Our Portfolio at a Glance

# Investment Portfolio

Name of Company	Date of Initial Investment	Industry Sector	Current Cost*	Realised Proceeds to Date	Investment Valuation at 30 June 2013	Realised and Unrealised to Date	% of Equity held by BSC VCT2 plc	% of Equity held by all Funds**
			£000	£000	£000	£000		
<b>CURRENT INVESTMENTS</b>								
<b>Unquoted portfolio</b>								
DisplayPlan Holdings Limited	Jan-12	Retail	700	–	1,834	1,834	12.25	35.00
Seven Technologies Holdings Limited	May -12	Manufacturing	1,238	762	1,376	2,138	6.30	38.12
Digital Healthcare Limited	Jun-05	Medical Instruments	3,072	–	1,016	1,016	25.04	25.04
Deep-Secure Ltd	Dec-09	Security Software	500	–	999	999	7.15	50.00
Immunobiology Limited	Jun-03	Pharmaceuticals	1,932	–	987	987	23.44	23.44
Insider Technologies (Holdings) Limited	Aug-12	Software	780	–	817	817	17.20	43.00
Bluebell Telecom Group Limited	Sep-10	Telecommunications	500	–	708	708	6.75	13.50
PowerOasis Limited	Nov-11	Energy Infrastructure	567	–	567	567	2.40	12.10
Waterfall Services Limited	Feb-07	Food Services	192	292	503	795	4.88	24.41
Harvey Jones Holdings Limited	May-07	Consumer Retail	389	–	441	441	3.44	30.12
Bagel Nash Group Limited	Jul-11	Retail Bakery	422	–	400	400	4.60	40.00
Selima Limited	Mar-12	Payroll Software	300	–	337	337	6.25	18.75
RMS Group Holdings Limited	Jul-07	Industrial Services	70	338	302	640	3.15	31.50
Tissuemed Limited	Dec-05	Healthcare	48	–	60	60	1.63	1.63
Ellfin Home Care Limited	Dec-07	Healthcare	317	–	5	5	6.17	73.98
TeraView Limited	Dec-11	Medical Instruments	375	–	–	–	7.50	15.00
<b>Total Unquoted</b>			<b>11,402</b>	<b>1,392</b>	<b>10,352</b>	<b>11,744</b>		
<b>Quoted portfolio</b>								
Iomart Group plc	May-11	Internet Services	148	112	450	562	0.17	0.17
Pressure Technologies plc	Jun-07	Manufacturing	300	–	380	380	1.76	4.26
EKF Diagnostics Holdings plc	Jun-11	Pharmaceuticals	224	–	235	235	0.33	0.90
AB Dynamics plc	May-13	Manufacturing	149	–	206	206	1.06	2.65
Vianet Group plc (formerly Brulines Group plc)	Oct-06	Electronics	243	–	161	161	0.79	2.09
Brady plc	Dec-10	Commodities Software	134	163	159	322	0.28	0.28
Cambridge Cognition Limited	May-02	Medical Software	240	–	159	159	1.19	3.28
Hargreaves Services plc	Aug-12	Industrial	125	–	138	138	0.06	0.34
Optos plc	Dec-05	Medical Instruments	81	167	90	257	0.11	0.11
Allergy Therapeutics plc	Oct-04	Biotechnology	350	–	47	47	0.11	0.11
<b>Total Quoted</b>			<b>1,994</b>	<b>442</b>	<b>2,025</b>	<b>2,467</b>		
<b>Total Portfolio</b>			<b>13,396</b>	<b>1,834</b>	<b>12,377</b>	<b>14,211</b>		
<b>Investments realised to date</b>			<b>11,777</b>	<b>18,751</b>	<b>–</b>	<b>18,751</b>		
<b>Total realised and unrealised to date</b>			<b>25,173</b>	<b>20,585</b>	<b>12,377</b>	<b>32,962</b>		

\* Original or acquired cost where the investment was acquired at the fair value ascribed to it at the time of the acquisition of British Smaller Technology Companies VCT plc.

\*\* All funds managed by the Fund Manager within YFM Private Equity Limited including British Smaller Companies VCT2 plc.



Name of Company	Date of Initial Investment	Industry Sector	Original Cost*	Proceeds to Date	Capital Return Multiple	Gain (Losses) on Disposal
			£000	£000	X	£000
<b>REALISED INVESTMENTS</b>						
DxS Limited	Apr-04	Healthcare	163	2,726	16.72	2,563
Sarian Systems Limited	Dec-05	Telecoms	928	2,605	2.80	1,677
Amino Technologies plc	Sep-01	Electronics	415	1,875	4.52	1,460
Cozart plc	Jul-04	Healthcare	1,566	2,983	1.90	1,417
Vibration Technology Limited	Mar-02	Industrial	1,061	2,328	2.20	1,267
Primal Pictures Limited	Dec-05	Medical Software	897	2,005	2.24	1,108
Sirigen Group Limited	Oct-10	Medical Diagnostics	517	1,446	2.80	929
The ART Technology Group Inc	Apr-03	Software	275	638	2.32	363
Tamesis Limited	Jul-01	Software	150	317	2.11	167
Voxar Limited	Dec-05	Software	-	134	-	134
Tekton Group Limited	Dec-05	Software	100	223	2.23	123
Arakis Limited	Mar-04	Healthcare	14	108	7.71	94
Tikit Group plc	Jun-11	Legal Services Software	198	279	1.53	81
Hallco 1389 Limited & Hallco 1390 Limited	Dec-06	Software	50	126	2.52	76
Group NBT plc	May-11	Internet Services	197	256	1.30	59
Oxonica plc	May-02	Chemical	241	258	1.07	17
Intelligent Recording Limited	Sep-08	Electronics	-	-	-	-
Solcom Limited	Dec-05	Software	-	-	-	-
Oxis Energy Limited	Dec-05	Electronics	5	4	(1)	(1)
SoseiCo Limited	Aug-05	Healthcare	158	94	0.59	(64)
May Gurney Integrated Services plc	Jun-11	Maintenance Services	212	141	0.67	(71)
Patsystems plc	Oct-07	Healthcare	317	164	0.52	(153)
Zergo Group plc	May-11	Marketing Services	197	3	0.02	(194)
Sirus Pharmaceuticals Limited	Sep-01	Healthcare	270	14	0.05	(256)
Infinite Data Storage Limited	Mar-02	Software	425	-	-	(425)
Purely Proteins Limited	Nov-03	Software	438	-	-	(438)
ExpressOn Biosystems Limited	Oct-02	Healthcare	450	-	-	(450)
Broadreach Networks Limited	Feb-03	Telecoms	550	17	0.03	(533)
Comvurgent Limited	Dec-05	Software	611	-	-	(611)
Focus Solutions Group plc	Dec-05	Software	7	7	1	-
Silistix Limited	Dec-03	Electronics	1,365	-	-	(1,365)
<b>Investments realised to date</b>			<b>11,777</b>	<b>18,751</b>	<b>-</b>	<b>6,974</b>

\* Original or acquired cost where the investment was acquired at the fair value ascribed to it at the time of the acquisition of British Smaller Technology Companies VCT plc.

# Top 15 Investments at 30 June 2013

Manufacturing and  
Industrial Services

Retail and  
Brands

IT and  
Telecommunications

Healthcare

Business Services

## Unquoted Portfolio

### DisplayPlan Holdings Limited

Baldock, Herts  
[www.displayplan.com](http://www.displayplan.com)

In January 2012 an investment was made to support the management buy-out of **DisplayPlan Holdings**, a company providing a complete retail display consultancy service from concept through design and sourcing to finished product delivery to established branded product manufacturers and UK retailers. Typical products include bespoke point of purchase (POP) stands in high street retail stores and the business enjoys regular repeat work from a long-established customer base.

### Seven Technologies Holdings Limited

County Antrim  
[www.seventechnologies.co.uk](http://www.seventechnologies.co.uk)

**Seven Technologies** is a fast growing specialist engineering business based in Northern Ireland specialising in the development and manufacture of bespoke electronics and communications applications for operation in inhospitable environments. The strategy is to maintain the impressive expansion to date through increasing the company's international presence and significantly growing average contract sizes, in what is now a significant international market for its products.

### Digital Healthcare Limited

Cambridge  
[www.digital-healthcare.co.uk](http://www.digital-healthcare.co.uk)

**Digital Healthcare** has developed software for the management of digital images in the diabetic screening, ophthalmology and optometric markets. It has developed its UK business becoming a leading supplier of diabetic retinopathy screening software to the NHS. Following 30 June 2013, the Company sold its shareholding generating proceeds of £1.26 million, giving rise to a gain of £0.24 million over its previous valuation.

## Deep-Secure Ltd

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

**Deep-Secure's** market leading products protect against threats to IT security via 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, with main customers being international governments, cross border forces and defence sectors. Profit levels have grown strongly since the Company's investment in 2009.

## Immunobiology Limited

Cambridge  
[www.immbio.com](http://www.immbio.com)

**Immunobiology** has developed a new platform technology to produce high efficacy vaccines for infectious diseases including influenza, tuberculosis, meningitis and hepatitis. A licence deal has recently been signed with Chinese pharmaceutical group Lanzhou Institute of Biological Products Co Limited to fund the clinical development of a TB vaccine in China. Regulatory clearance has also been granted to commence human trials for universal meningitis vaccine and a £3.0 million funding round was closed in August 2012.

## Insider Technologies (Holdings) Limited

Manchester  
[www.insidertech.co.uk](http://www.insidertech.co.uk)

**Insider Technologies** is an established provider of monitoring and scheduling software to the financial services and national security sectors. The Company backed the buyout of the business introducing new senior management to complement the existing team, who also invested in the deal. The strategy is to increase the sales focus and roll out existing and new complementary products in the UK and overseas.

## Bluebell Telecom Group Limited

Newcastle-upon-Tyne  
[www.bluebelltelecom.com](http://www.bluebelltelecom.com)

**Bluebell** is a telecommunications service provider that aggregates a range of services including fixed line, mobile and data to UK businesses. The Company's investment was made to assist with the next phase of Bluebell's growth. In August 2011 Bluebell acquired another telecommunications group Worldwide ISDN Limited which has now been successfully integrated.

## PowerOasis Limited

Swindon  
[www.power-oasis.com](http://www.power-oasis.com)

**PowerOasis** is a leader in power management and energy efficient solutions for wireless operators. It has developed an innovative wireless network power management software platform that remotely monitors, controls and manages the supply of power to base station sites that lack a reliable electricity grid in the Middle East and Africa. PowerOasis is an energy partner for two of the world's largest network equipment providers and some of the world's largest mobile telecom operators, which use PowerOasis technology to reduce the operating cost of power while significantly improving network availability. A further \$5 million funding round was completed in February 2013 which included a significant investment from a trade partner.

## 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 in 2007 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 care home sectors.

## 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 26 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.

## Quoted Portfolio

### Iomart Group plc

Glasgow  
[www.iomart.com](http://www.iomart.com)

**Iomart Group** is one of Europe's leading providers of managed hosting and cloud computing services. Iomart Group specialises in the design, delivery and management of business-critical hosting services enabling companies and organisations to reduce the cost, complexity and risks associated with maintaining their own web and online applications. The company is following a consolidation strategy in this fragmented and growing market.

### Pressure Technologies plc

Sheffield  
[www.pressuretechnologies.com](http://www.pressuretechnologies.com)

**Pressure Technologies** was admitted to AIM in June 2007. It specialises in the manufacture of ultra-large high pressure cylinders for the offshore oil and gas industry but is increasingly diversifying through acquisitions into other sectors, such as biogas and defence. The balance sheet remains ungeared with substantial cash available.

### EKF Diagnostics Holdings plc

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

**EKF** is a provider of a wide range of diagnostic needs in clinical care, blood donor services and dialysis centres, recreation institutes, sports medicine and industrial applications. EKF's name consists of the first three letters of German words, Entwicklung (development), Konstruktion (construction) and Fertigung (production), which are the main business divisions. EKF is well funded and has made some good acquisitions and commercial progress.

### AB Dynamics plc

Wiltshire  
[www.abd.uk.com](http://www.abd.uk.com)

**AB Dynamics** is based in the South West. ABD is engaged in the design, manufacture and supply to the global automotive industry of advanced testing and measurement products for vehicle suspension, brakes and steering both in the laboratory and on the test track. The Group's products are used by the research and development divisions of some of the leading vehicle manufacturers, including Ford, Toyota, Daimler, BMW, VW and Honda.

### Vianet Group plc (formerly Brulines Group plc)

Stockton-on-Tees  
[www.vianetplc.com](http://www.vianetplc.com)

**Vianet Group** is the leading provider of volume and revenue protection systems for draught alcoholic drinks for the UK licenced on-trade. The company has consolidated its market leading position and continues to seek to expand its service and product offering. Dividend yield remains strong, but the pub chains continue to struggle, leading Vianet to diversify into related markets, such as petrol forecourts and vending solutions.

# Unaudited Statement of Comprehensive Income

For the 6 months ended 30 June 2013

	Notes	Unaudited 6 months ending 30 June 2013			Unaudited 6 months ending 30 June 2012		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments		–	9	9	–	76	76
Gains on investments held at fair value		–	1,097	1,097	–	876	876
Income	2	365	–	365	258	–	258
Administrative expenses:							
Fund management fee		(68)	(204)	(272)	(50)	(150)	(200)
Other expenses		(168)	–	(168)	(161)	–	(161)
		(236)	(204)	(440)	(211)	(150)	(361)
<b>Profit before taxation</b>		<b>129</b>	<b>902</b>	<b>1,031</b>	<b>47</b>	<b>802</b>	<b>849</b>
Taxation	3	–	–	–	–	–	–
<b>Profit for the period</b>		<b>129</b>	<b>902</b>	<b>1,031</b>	<b>47</b>	<b>802</b>	<b>849</b>
<b>Total comprehensive income for the period attributable to equity Shareholders</b>		<b>129</b>	<b>902</b>	<b>1,031</b>	<b>47</b>	<b>802</b>	<b>849</b>
<b>Basic and diluted earnings per ordinary share</b>	5	<b>0.30p</b>	<b>2.06p</b>	<b>2.36p</b>	0.13p	2.24p	2.37p

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP') 2009 published by the Association of Investment Companies.

In May 2012 the Association of Investment Companies (AIC) replaced the Total Expense Ratio (TER%) it publishes with the "on-going charges percentage", calculated as the annual on-going charges (excluding irrecoverable VAT, performance fees and trail commission) over average undiluted Net Asset Value in the period. As at 30 June 2013, this benchmark (annualised) is currently 2.7 per cent (30 June 2012: 2.8 per cent). No performance fees have been paid in the current or previous period, and thus no adjusted figure including such fees has been presented.

In order to provide Shareholders with comparable data to prior periods and to assist understanding of the fund management agreement in place the Company has chosen to also disclose the TER%. This is calculated as the annual on-going charges (excluding trail commission and irrecoverable VAT) over Total Net Assets as at the relevant period end and is currently capped at 3.25 per cent, whereby excess costs over this value are absorbed by the Fund Manager. The annualised TER% as at 30 June 2013 is 2.6 per cent (30 June 2012: 2.5 per cent).

# Unaudited Balance Sheet

As at 30 June 2013

	Notes	Unaudited 6 months ended 30 June 2013 £000	Unaudited 6 months ended 30 June 2012 £000	Audited year ended 31 December 2012 £000
<b>Assets</b>				
<b>Non-current assets</b>				
Investments		12,377	13,044	11,363
Fixed income government securities		901	918	912
Financial assets at fair value through profit or loss		13,278	13,962	12,275
Trade and other receivables		108	68	198
		13,386	14,030	12,473
<b>Current assets</b>				
Trade and other receivables		114	315	423
Cash on fixed term deposits		3,500	–	7,048
Cash and cash equivalents		13,393	12,085	7,484
		17,007	12,400	14,955
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(135)	(426)	(276)
<b>Net current assets</b>		16,872	11,974	14,679
<b>Net assets</b>		30,258	26,004	27,152
<b>Shareholders' equity</b>				
Share capital		4,800	3,942	4,271
Share premium account		4,835	12,993	14,806
Capital redemption reserve		88	88	88
Merger reserve		5,525	5,525	5,525
Other reserve		2	2	2
Capital reserve		285	2,120	3,154
Investment holding losses		(2,149)	(2,778)	(4,919)
Special reserve		16,743	4,112	4,071
Revenue reserve		129	–	154
<b>Total Shareholders' equity</b>		30,258	26,004	27,152
<b>Net Asset Value per ordinary share</b>	6	65.3p	68.0p	65.5p

Signed on behalf of the Board

**Richard Last**

**Chairman**

21 August 2013

# Unaudited Statement of Changes in Equity

For the six months ended 30 June 2013

	Share capital	Share premium account	Merger reserve	*Other reserves	Capital reserve	Investment holding gains (losses) reserve	Special reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 December 2011</b>	<b>2,426</b>	<b>4,427</b>	<b>5,525</b>	<b>90</b>	<b>2,630</b>	<b>(3,665)</b>	<b>4,255</b>	<b>294</b>	<b>15,982</b>
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	47	47
<i>Capital expenses</i>	-	-	-	-	(150)	-	-	-	(150)
<i>Investment holding loss on investments held at fair value</i>	-	-	-	-	-	876	-	-	876
<i>Realisation of investments in the period</i>	-	-	-	-	76	-	-	-	76
<b>Total comprehensive income for the period</b>	-	-	-	-	(74)	876	-	47	849
<i>Issue of share capital</i>	1,514	9,149	-	-	-	-	-	-	10,663
<i>Issue of shares – DRIS</i>	2	11	-	-	-	-	-	-	13
<i>Issue costs</i>	-	(594)	-	-	-	-	-	-	(594)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(143)	-	(143)
<i>Dividends</i>	-	-	-	-	(425)	-	-	(341)	(766)
<b>Total transactions with Shareholders</b>	1,516	8,566	-	-	(425)	-	(143)	(341)	9,173
<i>Realisation of prior year investment holding losses</i>	-	-	-	-	(11)	11	-	-	-
<b>At 30 June 2012</b>	<b>3,942</b>	<b>12,993</b>	<b>5,525</b>	<b>90</b>	<b>2,120</b>	<b>(2,778)</b>	<b>4,112</b>	<b>-</b>	<b>26,004</b>
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	107	107
<i>Capital expenses</i>	-	-	-	-	(192)	-	-	-	(192)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	(1,498)	-	-	(1,498)
<i>Gain on disposal of investments in the period</i>	-	-	-	-	1,586	-	-	-	1,586
<b>Total comprehensive income for the period</b>	-	-	-	-	1,394	(1,498)	-	107	3
<i>Issue of share capital</i>	314	1,866	-	-	-	-	-	-	2,180
<i>Issue costs</i>	-	(132)	-	-	-	-	-	-	(132)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(41)	-	(41)
<i>Issue of shares – DRIS</i>	15	79	-	-	-	-	-	-	94
<i>Dividends</i>	-	-	-	-	(1,003)	-	-	47	(956)
<b>Total transactions with Shareholders</b>	329	1,813	-	-	(1,003)	-	(41)	-	1,145
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	537	(537)	-	-	-
<i>Realisation of negative goodwill</i>	-	-	-	-	106	(106)	-	-	-
<b>At 31 December 2012</b>	<b>4,271</b>	<b>14,806</b>	<b>5,525</b>	<b>90</b>	<b>3,154</b>	<b>(4,919)</b>	<b>4,071</b>	<b>154</b>	<b>27,152</b>



	Share capital	Share premium account	Merger reserve	*Other reserves	Capital reserve	Investment holding gains (losses) reserve	Special reserve	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 31 December 2012</b>	<b>4,271</b>	<b>14,806</b>	<b>5,525</b>	<b>90</b>	<b>3,154</b>	<b>(4,919)</b>	<b>4,071</b>	<b>154</b>	<b>27,152</b>
<i>Revenue profit for the period</i>	-	-	-	-	-	-	-	129	129
<i>Capital expenses</i>	-	-	-	-	(204)	-	-	-	(204)
<i>Investment holding gain on investments held at fair value</i>	-	-	-	-	-	1,097	-	-	1,097
<i>Gain on disposal of investments in the period</i>	-	-	-	-	9	-	-	-	9
<b>Total comprehensive income for the period</b>	-	-	-	-	(195)	1,097	-	129	1,031
<i>Issue of ordinary share capital</i>	504	2,964	-	-	-	-	-	-	3,468
<i>Issue of shares – DRIS</i>	25	130	-	-	-	-	-	-	155
<i>Issue costs of ordinary shares</i>	-	(160)	-	-	-	-	-	-	(160)
<i>Purchase of own shares</i>	-	-	-	-	-	-	(224)	-	(224)
<i>Dividends</i>	-	-	-	-	(1,001)	-	-	(154)	(1,155)
<i>Cancellation of Share Premium</i>	-	(12,905)	-	-	-	-	12,896	-	(9)
<b>Total transactions with Shareholders</b>	<b>529</b>	<b>(9,971)</b>	<b>-</b>	<b>-</b>	<b>(1,001)</b>	<b>-</b>	<b>(12,672)</b>	<b>(154)</b>	<b>2,075</b>
<i>Realisation of prior year investment holding losses</i>	-	-	-	-	(1,673)	1,673	-	-	-
<b>At 30 June 2013</b>	<b>4,800</b>	<b>4,835</b>	<b>5,525</b>	<b>90</b>	<b>285</b>	<b>(2,149)</b>	<b>16,743</b>	<b>129</b>	<b>30,258</b>

\* Other reserves include the capital redemption reserve and treasury reserve, which are non-distributable.

# Unaudited Statement of Cash Flows

For the six months ended 30 June 2013

	Unaudited 6 months ended 30 June 2013 £000	Unaudited 6 months ended 30 June 2012 £000	Audited year ended 31 December 2012 £000
<b>Net cash inflow (outflow) from operating activities</b>	<b>90</b>	17	(354)
<b>Cash flows from investing activities</b>			
Purchase of financial assets at fair value through profit or loss	(954)	(2,467)	(4,867)
Proceeds from sale of financial assets at fair value through profit or loss	1,062	1,238	5,239
Cash placed on fixed term deposit	–	–	(7,048)
Cash maturing on fixed term deposit	3,548	–	–
Deferred consideration	90	48	99
<b>Net cash from (used in) investing activities</b>	<b>3,746</b>	(1,181)	(6,577)
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	3,412	10,663	12,743
Cost of ordinary shares	(106)	(594)	(605)
Purchase of own shares	(224)	(143)	(184)
Dividends paid	(1,000)	(753)	(1,615)
Share Premium Cancellation costs	(9)	–	–
<b>Net cash from financing activities</b>	<b>2,073</b>	9,173	10,339
<b>Net increase in cash and cash equivalents</b>	<b>5,909</b>	8,009	3,408
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7,484</b>	4,076	4,076
<b>Cash and cash equivalents at the end of the period</b>	<b>13,393</b>	12,085	7,484

# Notes to the Unaudited 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 his 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 have been prepared in accordance 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 full financial statements as defined in section 435 of the Companies Act 2006. The comparative figures for the year ended 31 December 2012 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 December 2012. 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 financial statements for the year ended 31 December 2012.

The financial statements for the year ended 31 December 2012 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 financial statements have been prepared in compliance with the recommendations of the SORP.

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted early in these financial statements. These include the new standards IFRS10, IFRS12 and IFRS13 in addition to amendments to IFRS 1, IFRS 7, IFRS 9, IAS 1, IAS 19, IAS 27, IAS 28 and IAS 32. A full impact assessment has not yet been completed in order to assess whether these new standards will have a material impact on the financial statements.

Going Concern: The directors have carefully considered the issue of going concern and are satisfied that the Company has sufficient resources to meet its obligations as they fall due for a period of at least twelve months from the date these half year statements were approved. As at 30 June 2013 the Company held cash balances, investments in fixed income government securities and fixed term deposits with a combined value of £17,794,000. Cash flow projections show the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of share buy-backs and the dividend policy. The directors therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing these half year statements.

## 2. Income

	Unaudited 6 months ended 30 June 2013 £000	Unaudited 6 months ended 30 June 2012 £000
Income from investments		
– Dividends from unquoted companies	28	3
– Dividends from AIM quoted companies	22	22
	50	25
– Interest on loans to unquoted companies	187	147
– Fixed interest Government securities	10	11
Income from investments held at fair value through profit or loss	247	183
Interest on bank deposits	118	75
	365	258

## 3. Taxation

	Unaudited 6 months ended 30 June 2013			Unaudited 6 months ended 30 June 2012		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit before taxation	129	902	1,031	47	802	849
Profit before taxation multiplied by standard small company rate of corporation tax in UK of 20% (2012: 20%)	26	180	206	9	160	169
<b>Effect of:</b>						
UK dividends received	(10)	–	(10)	(5)	–	(5)
Non taxable profits on investments	–	(221)	(221)	–	(200)	(200)
Excess management expenses	(16)	41	25	(4)	40	36
Tax (credit)/charge	–	–	–	–	–	–

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

Deferred tax assets in respect of losses have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which the assets can be recovered.

Due to the Company's status as a venture capital trust, and the continued intention to meet the conditions required to comply with Chapter 3 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 June 2013			Unaudited 6 months ended 30 June 2012			Audited year ended 31 December 2012		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final paid – 2.5p per ordinary share Paid 5 June 2013	154	1,001	1,155	–	–	–	–	–	–
Final paid – 2.0p per ordinary share Paid 22 May 2012	–	–	–	341	425	766	294	472	766
Interim paid – 2.0p per ordinary share Paid 26 October 2012	–	–	–	–	–	–	–	765	765
Special paid – 0.5p per ordinary share Paid 26 October 2012	–	–	–	–	–	–	–	191	191
	154	1,001	1,155	341	425	766	294	1,428	1,722

An interim dividend of 2.0 pence per ordinary share, amounting to £927,000, is proposed. The dividend has not been recognised in these half year financial statements as the obligation did not exist at the balance sheet date.

#### 5. Basic and diluted Earnings per Ordinary Share

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to equity Shareholders of £1,031,000 (30 June 2012: profit of £849,000) and 43,683,833 (30 June 2012: 35,885,606) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The basic and diluted revenue return per ordinary share is based on the revenue profit attributable to equity Shareholders of £129,000 (30 June 2012: £47,000) and 43,683,833 (30 June 2012: 35,885,606) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The basic and diluted capital return per ordinary share is based on the capital profit attributable to equity Shareholders of £902,000 (30 June 2012: profit of £802,000) and 43,683,833 (30 June 2012: 35,885,606) ordinary shares being the weighted average number of ordinary shares in issue during the period.

During the period the Company allotted 254,976 new ordinary shares in respect of its dividend re-investment scheme and 5,038,678 new ordinary shares under the joint offer for subscription with British Smaller Companies VCT plc.

The Company has repurchased 379,961 of its own shares in the period and these shares are held in treasury. The total of 1,632,722 treasury shares has been excluded in calculating the weighted average number of ordinary shares during the period. The Company has no securities that would have a dilutive effect and hence basic and diluted earnings per ordinary share are the same.

## **6. Basic and Diluted Net Asset Value per Ordinary Share**

The basic and diluted Net Asset Value per ordinary share is calculated on attributable assets of £30,258,000 (30 June 2012 and 31 December 2012: £26,004,000 and £27,152,000 respectively) and 46,371,537 (30 June 2012 and 31 December 2012: 38,243,718 and 41,457,844 respectively) ordinary shares in issue at 30 June 2013.

The 1,632,722 (30 June 2012: 1,178,356) treasury shares have been excluded in calculating the number of ordinary shares in issue at 30 June 2013. 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**

Total Return per share is calculated on cumulative dividends paid of 37.0 pence per ordinary share (30 June 2012: 32.0 pence per ordinary share and 31 December 2012: 34.5 pence per ordinary share) plus the Net Asset Value as calculated in note 6.

## **8. Directors**

The directors of the Company are: Mr R Last, Mr R M Pettigrew, and Mr P C Waller.

## **9. Related Parties**

YFM Private Equity Limited ("the Manager") provides fund management, secretarial and administrative services to the Company. Under the management agreement, the Manager receives a fee of 2.5 per cent of the Net Asset Value of the Company up to £16 million, 1.5 per cent of Net Asset Value of the Company in excess of £16 million and up to £26.667 million and 2.0 per cent in respect of any Net Asset Value of the Company in excess of £26.667 million, calculated at half-yearly intervals as at 30 June and 31 December. The effective rate paid to the Fund Manager for the period to 30 June 2013 is 1.8 per cent of the Company's Net Asset Value as at 30 June 2013. Under the same agreement the Manager also provides administrative and secretarial services to the Company for a fee of £46,000 per annum as adjusted for changes in the Retail Price Index. During the period the Company has incurred management fees of £272,000 and secretarial fees of £29,000 payable to the Manager.

Under the terms of the joint offer with British Smaller Companies VCT plc launched on 16 November 2012 (which closed on 30 April 2013), the Manager was entitled to 5.5 per cent of gross subscriptions (before any early investment incentive and re-investment of intermediary commission) for all applications received on or before 28 December 2012. After this date the Manager was entitled to 5.5 per cent of gross subscriptions from execution brokers and 3.5 per cent of gross subscriptions for applications received directly from applicants or through intermediaries offering financial advice. This amounted to £279,491 in total of which £159,591 was received in the six months to 30 June 2013.

The Manager met all costs and expenses arising from these offers out of these fees, including any early investment incentive and any payment or re-investment of initial intermediary commissions (excluding permissible trail commission, which will continue to be met by the Company).

## **10. Other Information**

Copies of the interim report can be obtained from the Company's registered office: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ or from the Manager's website: **[www.yfmep.com](http://www.yfmep.com)**

# Advisers to the Company

## Directors

Richard Last  
Robert Martin Pettigrew  
Peter Charles Waller

## Fund Manager and Custodian

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## Registrars

### **Capita Registrars Limited**

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BR3 4TU

## Solicitors

### **hlw Keeble Hawson LLP**

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## Stockbrokers

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## Fixed Interest Securities Adviser

### **Brewin Dolphin Securities Limited**

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## Independent Auditor

### **Grant Thornton UK LLP**

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## VCT Status and Tax Adviser

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## Bankers

### **The Royal Bank of Scotland plc**

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### **Lloyds Banking Corporate Markets**

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## Company Secretary

### **KHM Secretarial Services Limited**

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