

British Smaller Companies VCT plc (“the Company”)
Interim Management Statement for the quarter
ended 30 June 2014

British Smaller Companies VCT plc presents its interim management statement for the quarter ended 30 June 2014. The statement also includes relevant financial information between the end of the quarter and the date of this statement. This statement constitutes the Company’s first interim management statement for the financial year ending 31 March 2015, as required by the UK Listing Authority’s Disclosure and Transparency Rule 4.3. A copy of this interim management statement can be found at www.yfmep.com.

Total Return and Net Asset Value

The total return at 30 June 2014, calculated by reference to the net asset value (NAV) per ordinary share and the cumulative dividends paid, was 192.7 pence per ordinary share (equal to its value as at 31 March 2014). Cumulative dividends represent 90.7 pence per ordinary share (31 March 2014: 90.7 pence per ordinary share).

The unaudited NAV per ordinary share as at 30 June 2014 was 102.0 pence per ordinary share (equal to its value as at 31 March 2014). There were no significant underlying NAV movements in the quarter.

The number of ordinary shares in issue at 30 June 2014 was 65,334,598 (31 March 2014: 61,385,687). In addition, the Company held 2,699,637 shares (31 March 2014: 2,469,502 shares) in Treasury.

Net assets at 30 June 2014 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	40,587	60.9
Quoted investment at bid price	3,731	5.6
Total private equity investments	<u>44,318</u>	66.5
Fixed income securities	2,390	3.6
Total investments	<u>46,708</u>	70.1
Cash and cash equivalents	19,667	29.5
Other net current assets	237	0.4
Net assets	<u>66,612</u>	100.0

The ten largest investments by valuation and other investments at 30 June 2014 were:

	£000	% of net assets
GO Outdoors Limited	6,473	9.7
President Engineering Group Ltd	4,371	6.6
DisplayPlan Holdings Limited	3,830	5.7
Waterfall Services Limited	3,164	4.7
Intelligent Office UK Limited	2,934	4.4
Gill Marine Holdings Limited	2,500	3.8
Mangar Health Limited	2,460	3.7
Seven Technologies Holdings Limited	1,984	3.0
GTK (UK) Limited	1,650	2.5
Leengate Holdings Limited	1,401	2.1
Top ten investments	30,767	46.2
Other investments	13,551	20.3
Total private equity investments	44,318	66.5

Investment Portfolio

The Company continues to see an increasing level of investment opportunities. During the quarter the Company invested a total of £4.70 million which included three new investments totalling £4.44 million. In May 2014 £2.93 million was invested into Intelligent Office UK Limited, a leading business process outsourcing firm specialising in the legal sector. In June 2014 £1.26 million was invested into Macro Art Holdings Limited (a specialist wide-format digital printer) and £0.25 million into Intamac Systems Limited (a pioneer within the Internet of Things/Connected Home space). The Company has also made a further £0.26 million of follow-on investments in support of existing companies in the portfolio.

In the quarter the Company has received a total of £0.40 million from the part disposal of investments, with £0.17 million relating to payment of loan capital/associated redemption premiums and £0.23 million in respect of partial disposals of quoted shareholdings, which was in line with their March 2014 carrying value and gave rise to a £0.09 profit above their original cost.

Quoted investments are carried at bid price. Unquoted investments are carried at fair value as determined by the Board.

Performance

Over the 3 months to 30 June 2014 the unquoted portfolio saw an overall increase in unrealised valuations of £0.41 million equating to a 1.1 per cent increase on the opening value. This comprised an increase in the value of a number of the portfolio companies including Waterfall Services Limited, GO Outdoors Limited and President Engineering Group Limited. The quoted portfolio value fell by £0.26 million (7.0 per cent decrease on opening value) in the 3 months, which represented an outperformance of the AIM All-Share index by 2.0 per cent.

The Board continues to follow a policy of maintaining a diversified portfolio; as at 30 June 2014 only three investments represented more than five per cent each of the Company's NAV with the largest investment comprising 9.7 per cent.

Issue and Purchases of Ordinary Shares

During the quarter the Company has issued a total of 4,179,046 ordinary shares at prices of between 100.75 to 106.76 pence per ordinary share depending on the adviser charge (if applicable) pursuant to the joint offer with British Smaller Companies VCT2 plc, which is now closed. In aggregate the joint offers raised total gross proceeds of £26.9 million, of which £16.2 million was raised by the Company.

During the quarter the Company purchased 230,135 ordinary shares of 10 pence each at a price of 92.05 pence per share. These shares were placed in Treasury.

Regulatory Changes

The EU Commission's Alternative Investment Fund Managers Directive (AIFMD) became part of UK law in July 2013, with a 12 month transitional period to July 2014. The Directive regulates the management of alternative investment funds, including venture capital funds such as VCTs. The Board is pleased to announce that the Financial Conduct Authority approved the Company's application to become a Small Registered UK Alternative Investment Fund Manager on 21st July 2014.

As expected, the 2014 Finance Bill, which received Royal Assent on 17 July 2014, included measures relating to "enhanced" share buy-backs, , restrictions on income tax relief for subscriptions of shares where an investor disposes of shares in the same VCT within six months of the subscription and, with effect from 6th April 2014, the prevention from paying dividends out of share capital or distributable reserves created by cancelling the share premium account arising on the allotment of such shares for three years after the shares are issued. The Company's balance sheet already has ample distributable reserves and we do not expect the new rules to have any impact on future dividend streams.

Fundraising

The Company has invested £4.70 million during the quarter with a further £6.3 million approved as at the date of this statement. This represents a 100% increase on the rate of investment achieved in 2013/14. The Fund Manager continues to see an increase in new investment opportunities. In order for the Company to continue to take advantage of these new opportunities the Board will be seeking to raise further funds, details of which will follow in due course.

Shareholder Workshop

Following the success of the 19th Shareholder workshop in February 2014, the Company is pleased to announce that its next workshop will be held at Freemasons Hall, London on 4 February 2015

Outlook

Good progress continues to be made across the Company's investment portfolio and there continues to be a strong pipeline of new investment opportunities to support management teams with growth strategies or looking to lead management buy-outs. The increase in the annual investment limits to

£5 million for Venture Capital Trusts has further increased the investment rates which is translated into an increasingly diversified portfolio.

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