

BRITISH SMALLER COMPANIES VCT PLC

UNAUDITED INTERIM RESULTS AND INTERIM MANAGEMENT STATEMENT

For the 6 months ended 30 September 2010

- Interim dividend maintained at 2.0 pence per share
- Total return has increased by 6% to 153.0 pence per share since 31 March 2010 compared to a fall of 1.5% in the FTSE All-Share® index
- Linked prospectus offer with British Smaller Companies VCT2 plc is expected to be launched in December 2010 to maximise investment opportunities in 2011-2013

British Smaller Companies VCT plc ("the Company") today announces its unaudited interim results for the six months to 30 September 2010.

CHAIRMAN'S STATEMENT

The first six months of this financial year have seen a continued period of uncertainty with some recent signs of economic recovery, following the change in government and an emergency budget to address the high level of public borrowings. Several of our portfolio companies have seen an improvement in prospects but significant uncertainty remains after the recent announcements of substantial budget cuts for public bodies. This is likely to have an impact on the speed and sustainability of the UK's economic recovery.

Several of the Company's unquoted portfolio companies have recorded improved results over the first half of the financial year leading to an increase in unrealised investment holding values of £3.19 million. Although the economic climate remains uncertain the portfolio companies as a whole are well funded with low levels of bank debt. The quoted portfolio has remained stable but experienced an overall decline in holding values of £0.56 million following the administration of Connaught (which resulted in a loss in the period of £0.79 million). The resulting net increase in the valuation of the portfolio by £2.63 million taken together with the £0.04 million decrease in the value of gilts over the first six months of the year amounts to an overall gain on investments held at fair value of £2.59 million.

The market for new investments has been subdued since 2007. However in recent months the Fund Manager has begun to see an increase in the number of investment opportunities with management teams looking to fund expansion plans and vendors prepared to consider corporate sales. Whilst the banks continue to take a very cautious approach and there remains uncertainty over the speed of economic recovery, some businesses do feel sufficiently confident to commit to long term growth plans.

Your Board remains confident of the medium and long term prospects of the Company and consequently we are proposing to maintain the interim dividend at 2.0 pence per share. The dividend will be paid on 7 January 2011 to Shareholders on the register at 10 December 2010.

Interim Management Report

Several of our portfolio companies have made significant progress in the period. GO Outdoors has continued to trade strongly, with several other businesses now experiencing improved market conditions including RMS, Harvey Jones, Darwin Rhodes and Harris Hill. Fishawack and Waterfall Services are beginning to reap the benefits of recent acquisitions. With the improving debt markets the Fund Manager was able to conclude a refinancing of RMS resulting in a £0.49 million capital realisation, a £0.05 million uplift over the total March value, with a residual carrying value at September 2010 of £0.36 million.

The level of new investment opportunities under consideration has increased which has translated into new investments for the Company and some acquisitions for the portfolio. In May 2010 the company invested a further £157,000 into Fishawack to help fund the acquisition of another UK-based medical communications company, Alpha Plus, in order to expand the existing customer base and improve efficiency. In July 2010 the Company invested £0.25 million into a new AIM business, EKF Diagnostics, a healthcare diagnostics group with a buy & build strategy. In September 2010 the Company invested £0.50 million as part of an £4.00 million subscription of growth capital into Bluebell Telecom to lead a consolidation of the fragmented telecommunication service market.

The pipeline of new opportunities remains strong, with a £1.00 million investment into mining safety and valve group, President Engineering Group Ltd, completing just after the reported period. Your Board hopes to see a continued number of attractive investment opportunities over the months ahead.

Financial Results

The revenue profit before tax for the period was £0.45 million which compares to £0.35 million for the same period in 2009. The capital profit before tax for the six months to September 2010 is £2.46 million which compares to a £2.08 million profit for the same period in 2009. The capital movements principally derive from movements in the value of investments as yet unrealised.

The movement in Net Asset Value is as follows:

	Pence/share
31 March 2010	94.4
Dividends paid in period	(4.3)
Net increase in value	8.7
<u>30 September 2010</u>	<u>98.8</u>

The investment valuation growth highlighted above has resulted in the Net Asset Value per share increasing to 98.8 pence per share at 30 September 2010 (94.4 pence per share at 31 March 2010) after payment of the 4.25 pence per share dividends. The Total Return (Net Asset Value plus cumulative dividends paid) at 30 September 2010 now stands at 153.0 pence per share compared to 144.4 pence per share at 31 March 2010, an increase of 8.6 pence (6%). By way of comparison, the FTSE All-Share® index has fallen by 1.5% since 31 March 2010.

In April 2010 2,048,298 new shares were issued raising a gross total of £1,944,000 of new cash for the company. Cash and investment in gilts totalled £11.68 million at 30 September 2010 (£15.47 million at September 2009), representing 36% (September 2009: 55%) of Net Asset Value before taking account of any interim dividend. The Board considers that this is sufficient to support the current portfolio and to continue its investment strategy in selective new opportunities in the short term. The Board is seeking to increase the Company's medium term investment capacity through a fundraising later this year, as set out below.

Shareholder Relations

Dividend Re-investment Scheme

Your Company continues to offer a dividend re-investment scheme. In September 17.6% of Shareholders, representing £0.14 million of dividends payable, took the opportunity to re-invest the final dividend. The dividend reinvestment scheme will be continued.

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 2010, your Company acquired 260,000 shares at a cost of £0.20 million (2009: 141,882 shares at a cost of £0.10 million).

New Fundraising

Given the more attractive investment conditions expected over the coming years, the Company is seeking to increase its investment capacity through a linked offer. Together with British Smaller Companies VCT2 plc a prospectus will shortly be issued to raise up to £15 million for both VCTs, with those shareholders investing before 1 March 2011 receiving additional shares equivalent to 1% of the amount subscribed.

Investor Workshop

The Company has presented annual investor workshops for a number of years which have proved very popular with Shareholders. The next workshop will be held on 9 February 2011 at The British Museum. An invitation will be sent to Shareholders in due course.

Board Changes

Robert Pettigrew and Richard Last have resigned as non-executive directors of the Company effective from 21 September 2010. As previously announced Edward Buchan has taken up his appointment as a non-executive Director effective from 22 September 2010. Edward is also a Director of Downing Absolute Income VCT 1 plc. The changes to the Board's composition were in response to the new Listing Rules with regard to the independence of directors. I would like to reiterate my thanks to Robert and Richard for their very significant contribution over many years and extend my welcome to Edward to his new appointment.

Other Matters

Your Board continues to monitor regulatory developments, in particular the proposal for a Directive on Alternative Investment Fund Managers. The draft Directive is in the final stages of its passage into European law. Your Company will consider the requirements of the new legislation during the period prior to its implementation, now expected to be in early 2013, and will continue to support the activities of the Association of Investment Companies (AIC) in its consideration and review of these proposals.

Outlook

I am delighted to note the significant progress made across several sectors of the portfolio over the last six months with some particularly notable strong performances. 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 2010

STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 September 2010

	Notes	Unaudited 6 months ending 30 September 2010			Unaudited 6 months ending 30 September 2009		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Gain on disposal of investments		-	80	80	-	8	8
Gains on investments held at fair value		-	2,593	2,593	-	2,270	2,270
Income	2	693	-	693	603	-	603
Administrative expenses:							
Fund Management fee		(73)	(217)	(290)	(66)	(198)	(264)
Other expenses		(173)	-	(173)	(187)	-	(187)
		(246)	(217)	(463)	(253)	(198)	(451)
Profit before taxation		447	2,456	2,903	350	2,080	2,430
Taxation	3	(46)	46	-	(52)	52	-
Profit for the period attributable to equity Shareholders		401	2,502	2,903	298	2,132	2,430
Total comprehensive income for the period attributable to equity Shareholders		401	2,502	2,903	298	2,132	2,430
Basic and diluted earnings per Ordinary share	5	1.23p	7.65p	8.88p	0.97p	6.93p	7.89p

BALANCE SHEET

As at 30 September 2010

	Unaudited 6 months ended 30 September 2010	Unaudited 6 months ended 30 September 2009	Audited Year ended 31 March 2010
	£000	£000	£000
Notes			
Assets			
Non-current assets			
Investments	20,355	12,143	17,256
Fixed income government securities	10,336	11,758	9,740
Financial assets at fair value through profit or loss	30,691	23,901	26,996
Current assets			
Trade and other receivables	345	400	2,055
Cash and cash equivalents	1,348	3,708	1,820
	1,693	4,108	3,875
Liabilities			
Current liabilities			
Trade and other payables	(92)	(94)	(1,863)
Net current assets	1,601	4,014	2,012
Net assets	32,292	27,915	29,008
Shareholders' equity			
Share capital	3,433	3,201	3,212
Share premium account	17,154	15,331	15,398
Capital redemption reserve	221	221	221
Treasury share reserve	(1,378)	(1,035)	(1,175)
Capital reserve	197	(127)	93
Investment holdings gains (losses)	3,956	870	1,558
Special reserve	2,408	2,408	2,408
Retained earnings	6,301	7,046	7,293
Total Shareholders' equity	32,292	27,915	29,008
Basic and diluted Net Asset Value per Ordinary share	98.8p	90.6p	94.4p

STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 September 2010

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Treasury share Reserve £000	Capital reserve £000	Investment holdings gains (losses) £000	Special reserve £000	Retained earnings £000	Total equity £000
At 31 March 2009	3,187	15,236	221	(931)	-	(1,389)	2,408	7,668	26,400
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	298	298
<i>Capital expenses</i>	-	-	-	-	(146)	-	-	-	(146)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	2,270	-	-	2,270
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	11	(11)	-	-	-
<i>Gain on disposal of investments in the period</i>	-	-	-	-	8	-	-	-	8
Total comprehensive income for the period	-	-	-	-	(127)	2,259	-	298	2,430
Dividends	-	-	-	-	-	-	-	(920)	(920)
Purchase of own shares	-	-	-	(104)	-	-	-	-	(104)
Issue of share capital on DRIS*	14	95	-	-	-	-	-	-	109
At 30 September 2009	3,201	15,331	221	(1,035)	(127)	870	2,408	7,046	27,915
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	248	248
<i>Capital expenses</i>	-	-	-	-	(161)	-	-	-	(161)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	1,336	-	-	1,336
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	648	(648)	-	-	-
<i>Gain on disposal of investments in the period</i>	-	-	-	-	349	-	-	-	349
Total comprehensive income for the period	-	-	-	-	836	688	-	248	1,772
Dividends	-	-	-	-	(616)	-	-	(1)	(617)
Purchase of own shares	-	-	-	(140)	-	-	-	-	(140)
Issue of share capital on DRIS*	11	67	-	-	-	-	-	-	78
At 31 March 2010	3,212	15,398	221	(1,175)	93	1,558	2,408	7,293	29,008
<i>Revenue return for the period</i>	-	-	-	-	-	-	-	401	401
<i>Capital expenses</i>	-	-	-	-	(171)	-	-	-	(171)
<i>Gain on investments held at fair value</i>	-	-	-	-	-	2,593	-	-	2,593
<i>Realisation of prior year investment holding gains</i>	-	-	-	-	195	(195)	-	-	-
<i>Gain on disposal of investments in the period</i>	-	-	-	-	80	-	-	-	80
Total comprehensive income for the period	-	-	-	-	104	2,398	-	401	2,903
Dividends	-	-	-	-	-	-	-	(1,393)	(1,393)
Purchase of own shares	-	-	-	(203)	-	-	-	-	(203)
Issue of Ordinary share capital	204	1,739	-	-	-	-	-	-	1,943
Issue of share capital on DRIS*	17	126	-	-	-	-	-	-	143
Issue of Ordinary share capital costs	-	(109)	-	-	-	-	-	-	(109)
At 30 September 2010	3,433	17,154	221	(1,378)	197	3,956	2,408	6,301	32,292

* DRIS being the dividend re-investment scheme

STATEMENT OF CASH FLOWS

For the 6 months ended 30 September 2010

	Unaudited 6 months ended 30 September 2010	Unaudited 6 months ended 30 September 2009	Audited Year ended 31 March 2010
	£000	£000	£000
Net cash inflow from operating activities	221	454	654
Cash flows (used in) from investing activities			
Purchase of fixed asset investments	(2,500)	-	(6,389)
Proceeds from sale of fixed asset investments	1,478	537	5,517
Net cash (used in) from investing activities	(1,022)	537	(872)
Cash flows from (used in) financing activities			
Issue of Ordinary shares	1,944	-	-
Cost of Ordinary share issue	(161)	(65)	(76)
Purchase of own Ordinary shares	(203)	(104)	(244)
Dividends paid (net of dividend reinvestment scheme)	(1,251)	(811)	(1,339)
Net cash from (used in) financing activities	329	(980)	(1,659)
Net (decrease)/increase in cash and cash equivalents	(472)	11	(1,877)
Cash and cash equivalents at the beginning of the period	1,820	3,697	3,697
Cash and cash equivalents at the end of the period	1,348	3,708	1,820

RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

For the 6 months ended 30 September 2010

	Unaudited 6 months ended 30 September 2010	Unaudited 6 months ended 30 September 2009	Audited Year ended 31 March 2010
	£000	£000	£000
Profit before tax	2,903	2,430	4,202
Decrease (increase) in prepayments and accrued income	1,710	272	(1,382)
(Decrease) increase in accruals and other creditors	(1,719)	30	1,797
Profit on realisation of investments in the year	(80)	(8)	(357)
Revaluation of investments in the period	(2,593)	(2,270)	(3,606)
Net cash inflow from operating activities	221	454	654

BRITISH SMALLER COMPANIES VCT PLC

UNAUDITED FINANCIAL STATEMENTS

For the 6 months ended 30 September 2010

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 his/her knowledge the Interim 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 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 March 2010 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2010. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The half year statements comply with IAS 34 'Interim financial reporting' and the Disclosure and Transparency Rules of the Financial Services Authority. 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 March 2010, except as noted below.

The financial statements for the year ended 31 March 2010 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.

The following new standards and amendments to standards are mandatory for the first time for the financial year commencing 1 April 2010. Where relevant to the Company the half year statements have been prepared under the revised disclosure requirements.

IAS 1 (amendment). The amendment is part of the IASB's annual improvements project and clarifies the definition of current liabilities. This has had, and is expected to have, no material impact on the Company's financial statements.

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.

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 March 2010. 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 financial statements for the year ended 31 March 2010 on page 23, a copy of which can be found at www.yfm.co.uk.

BRITISH SMALLER COMPANIES VCT PLC
UNAUDITED FINANCIAL STATEMENTS

For the 6 months ended 30 September 2010

2. Income

	Unaudited 6 months ended 30 September 2010 £000	Unaudited 6 months ended 30 September 2009 £000
Income from investments:		
Dividends from unquoted companies	202	66
Dividends from AIM quoted companies	27	32
	229	98
Interest on loans to unquoted companies	162	156
Fixed interest Government securities	253	323
Income from investments held at fair value through profit or loss	644	577
Interest on deposits	49	26
	693	603

BRITISH SMALLER COMPANIES VCT PLC
UNAUDITED FINANCIAL STATEMENTS

For the 6 months ended 30 September 2010

3. Taxation

	Unaudited 6 months ended 30 September 2010			Unaudited 6 months ended 30 September 2009		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit on ordinary activities before taxation	447	2,456	2,903	350	2,080	2,430
Profit on ordinary activities multiplied by standard small company rate of corporation tax in UK of 21% (2009: 21%)	94	516	610	73	437	510
Effect of:						
UK dividends received	(48)	-	(48)	(21)	-	(21)
Non taxable profits on investments	-	(561)	(561)	-	(478)	(478)
Excess management expenses	-	(1)	(1)	-	(11)	(11)
Tax charge credit	46	(46)	-	52	(52)	-

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 management 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 2010		Unaudited 6 months ended 30 September 2009		Audited Year ended 31 March 2010	
	Revenue £000	Total £000	Revenue £000	Total £000	Capital £000	Total £000
Final paid - 3.0p per Ordinary share; paid 28 September 2010 (2009: 3.0p per Ordinary share)	983	983	920	920	-	-
Interim - 2.0p per Ordinary share; paid 7 January 2010 (2009: 2.0p per ordinary share)	-	-	-	-	616	616
Special dividend 1.25p per Ordinary Share paid on 28 September 2010 (2009: nil)	410	410	-	-	-	-
Dividends paid	1,393	1,393	920	920	616	616

An interim dividend of 2.0 pence per share in respect of the period to 30 September 2010, amounting to £653,740 is proposed. This has not been recognised in the period ended 30 September 2010 as the obligation did not exist at the balance sheet date.

A special dividend of 1.25 pence per share was paid on 28 September 2010 to Shareholders following the profit generated from the sale of Sheet Piling (UK) Limited.

BRITISH SMALLER COMPANIES VCT PLC

UNAUDITED FINANCIAL STATEMENTS

For the 6 months ended 30 September 2010

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 £2,903,000 (30 September 2009: profit of £2,430,000) and on 32,734,626 shares (30 September 2009: 30,786,419), 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 £401,000 (30 September 2009: profit of £298,000) and on 32,734,626 shares (30 September 2009: 30,786,419), 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 £2,502,000 (30 September 2009: profit of £2,132,000) and on 32,734,626 shares (30 September 2009: 30,786,419), being the weighted average number of shares in issue during the period.

During the period the Company allotted 166,512 Ordinary shares in respect of its dividend reinvestment scheme.

The Company has also repurchased 260,000 of its own shares in the period and these shares are held in treasury. The total of 1,642,837 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2010 (30 September 2009: 1,192,837 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 £32,292,000 and 32,687,004 shares in issue at the period end (30 September 2009: assets of £27,915,000 and 30,816,423 shares, 31 March 2010: assets of £29,008,000 and 30,732,194 shares).

During the period the Company allotted 166,512 Ordinary shares in respect of its dividend reinvestment scheme.

The Company has also repurchased 260,000 of its own shares in the period and these shares are held in treasury. The total of 1,642,837 treasury shares have been excluded in calculating the number of Ordinary shares in issue at 30 September 2010 (30 September 2009: 1,192,837 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 54.2 pence per Ordinary share (30 September 2009: 48.0 pence per Ordinary share and 31 March 2010: 50.0 pence per Ordinary share) plus the Net Asset Value at those dates as calculated per note 6.

8. Directors

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

9. 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 Fund Manager's website: www.yfm.co.uk.

For further information please contact:

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